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8 MARCH 1988



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# ***JPRS Report***

# **China**

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# China

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## SUB-SAHARAN AFRICA

### RENMIN RIBAO Reports Deng, Kaunda Meeting

HK021046 Beijing RENMIN RIBAO in Chinese  
2 Mar 88 p 1

[Excerpt] When meeting with Zambian President Kaunda this morning, Chairman of the Central Military Commission Deng Xiaoping said: Hegemonism still exists today, and superpower hegemonism is threatening world peace. Currently the United States and the Soviet Union have signed an agreement on intermediate-range missiles. This is only an initial step. We welcome such an initial step. But the question of nuclear disarmament by the United States and the Soviet Union remains to be settled. On regional issues, the United States and the Soviet Union have not solved the questions that should have been solved. Therefore, the realization of true relaxation in the world still requires a number of years of hard work on the part of the world's people.

The meeting between the two old friends, which lasted an hour or so, took place in the Fujian Room of the Great Hall of the People. This was the first time Deng Xiaoping has met foreign guests this year.

Deng Xiaoping pointed out: Peace and development are two major tasks facing us both. China's development is very important. Since the Chinese people account for

one-fifth of the world's population. When China shakes off poverty, one-fifth of the world's population will be extricated from poverty and there will be a better guarantee for world peace. Therefore, we have always regarded China's development as our duty-bound obligation to mankind.

Kaunda agreed with Deng Xiaoping on this point. He said: Zambia highly appreciates China's exposition on the two fundamental questions of peace and development in the contemporary world. Both our countries are certainly faced with a common task in this regard.

At the beginning of the meeting President Kaunda told Chairman Deng he was very glad to see that Deng was in good health.

Deng replied with a smile: "I am 20 years older than you. Anyway, I should be counted as physically fit at such an advanced age." Then he continued to say: Our two countries are friends, and the leaders of our two countries are good friends too. You were a friend of the late Chairman Mao and the late Premier Zhou, and you are a friend of Li Xiannian and Zhao Ziyang as well. Personally you and I are very, very good old friends. You have described our relationship as that between all-weather friends. This is a fine description and true to reality.

**Su Shaozhi Discusses Scientific Basis for Initial Stage Theory**

40050114p Beijing LILUN XINXIBAO in Chinese  
14 Dec 87 p 1

[Summary] It was pointed out at the 13th CPC National Congress that China is now in the initial stage of socialism. This analysis was drawn from Marxist standpoints, viewpoints and methods integrated with China's present conditions.

First of all, it creatively interprets Marxism by discarding dogmatic ideas and erroneous standpoints attributed to Marxism and offers in their place the following ideas:

All socialist countries should make use of the variety of models that have emerged from socialist practice instead of the Soviet model (actually, the Stqlinist model) in implementing socialism.

After the victory of revolution, the less-developed countries will require an extended period of time, passing through various stages, to establish socialism. This supersedes the idea that the more backward an economy the less time needed to make the transition to a socialist system.

We should start from the realities of each stage of socialism that have emerged in practice when studying the particular characteristics and developmental laws of each respective stage. This replaces Stalin's announcement in 1936 that the characteristics of the socialist system and the law of development had already been basically realized.

The historical materialist view of productive forces being the ultimate decisive factor in social development has been established. This replaces the historical idealism which deals with socialism in abstract terms without any consideration for productive forces.

Second, this argument is derived from reality and is summarized from 38 years of historical experience since the founding of our country and the past 9 years of practice since the 3d Plenary Session of the 11th CPC Central Committee. It includes the following:

Since the 3d Plenary Session of the 11th CPC Central Committee, and particularly since adoption of the "Resolution on Several Historical Questions Since the Founding of the PRC" at the 6th Plenary Session, we definitely realized that the serious mistakes since the founding of our country were made under the erroneous "leftist" influence. The "Great Leap Forward" and rural people's communes with their mistaken, lofty "leftist" targets, mismanagement, boasting and "communist style" caused tremendous damage. More serious "leftist" mistakes were made in the disastrous "Cultural Revolution." Among the many causes of "leftist" mistakes, the primary one is deviation from the current developmental stage of Chinese society, and the blind rushing through the transitional period. Having identified the cause of the "leftist" mistakes, we are prepared to study the historical stage that China is now in.

Based upon our experience and awareness, and from the perspective of productive forces, productive relations, and the superstructure, we realize that we are far from leaving the initial stage of socialism.

The discussion of the initial stage of socialism at the 13th Party Congress provides us with promising basic guidance for building socialism with Chinese characteristics. Our mission as theoretical workers should be to thoroughly investigate China's conditions and devote further studies in various aspects of the initial stage of socialism. We should work to promote this concept so that it will be accepted by the whole party and country and thereby put the idea into effective practice.

## PROVINCIAL

### **Zhejiang's Xue Ju Government Work Report** *OW031401 Hangzhou ZHEJIANG RIBAO in Chinese* 6 Feb 88 pp 1-4

[Zhejiang Provincial Governor Xue Ju's Government Work Report delivered at the First Session of the Seventh Zhejiang Provincial People's Congress on 23 January 1988; all subheads printed in boldface]

[Text] Fellow deputies,

On behalf of the provincial People's Government, I will now make a report to the congress on the work of the government for examination and approval by the current session.

#### **I. Basic Summation of the Work in 1987**

In 1987, which was the second year of the implementation of the "Seventh 5-Year Plan," we, under the leadership of the party Central Committee and the State Council and through the efforts of all the people in the province, realized the goal of a sustained and stable development of the provincial economy and maintained a society characterized by stability and unity by seriously implementing the resolutions of the fifth session of the sixth provincial People's Congress, persisting in reform, and fighting in unity. The province as a whole witnessed a fine situation economically and politically. It is expected that the province's gross national product will reach 53.6 billion yuan and the national income will reach 49.04 billion yuan, both representing a 14.2 percent increase over the previous year. The total industrial and agricultural output value will reach 94.6 billion yuan, up 19.2 percent; total revenue 7.64 billion yuan, up 11.4 percent; total volume of social commodity retail sales 28 billion yuan, up 20.3 percent; and total foreign exchange earnings (not including that from crude oil) \$1.296 billion, up 29.8 percent. Achievements were made also in the political, cultural, and other fields. Living standards remained stable for the people in both the urban and rural areas. According to a sample survey, the per capita income of the peasants reached 680 yuan last year, an increase of 71.6 yuan over the year before. If price increases are excluded, the actual increase was 33 yuan. The per capita income for living expenses of urban residents in the province was 1,121.98 yuan, which was 110 yuan higher than the previous year. The actual income remained basically the same after allowing for price increases. The implementation of the "Seventh 5-Year Plan" took another stride in the year after a good start in 1986.

#### **1. The "Double Increase, Double Economy" Campaign, Aimed at Increasing Economic Results, Developed in Width and Depth, Achieving Fairly Good Results**

The national conference of provincial governors convened by the State Council early in the year proposed that the "double increase, double economy" campaign

be carried out in the economic field as a major task. The provincial government made plans for the campaign immediately after the conference. In view of the fact that the fine tradition of hard struggle and building up the country through thrift and diligence had been neglected, the need to stress economic results ignored, and the indulgence in extravagance and waste and indiscriminate distribution of bonuses and payments in kind became serious in the past few years, the various localities and units all carried out ideological education on the need to work hard and display the pioneering spirit. The cadres and masses were encouraged to bring problems out into the open, make careful calculations, tap potentials, and formulate plans and measures to promote the "double increase, double economy" campaign. The various cities and prefectures as well as provincial organs also sent large numbers of cadres to conduct investigation and study at the grassroots and help the enterprises to solve salient problems in production and management. Judging from the development of the "double increase, double economy" campaign in the past year, the overall result has been remarkable although the development has not been well balanced.

Industrial enterprises have readjusted the mix of their products according to the requirements of the domestic and international markets. The growth of production of readily marketable manufactured goods for daily use, energy, and raw and semi-processed materials was relatively high. The quality of products improved, and the consumption of materials decreased. The overall productivity of workers in independently accounted state enterprises increased by 7.6 percent over the previous year. The rate of increase of budgetary sales income and realized profits and taxes of industrial enterprises surpassed the rate of increase of total output value, reversing the situation of the past few years where production increased and efficiency deteriorated. The remaining problem is that, because of the relatively sharp increase in prices of raw and semi-processed materials, marketing expenses in some enterprises went up, thus raising their products' fixed cost and increasing their losses.

After implementing the principle known as the "three guarantees and three controls," the investment requirement for capital construction of state enterprises and institutions in the province was put under control, and the rate of increase dropped to 8.8 percent from 19.5 percent in 1986, thereby assuring the investments planned by the state. Investment plans for 41 key projects were completed on schedule. The proportion of nonproductive investment was cut while the proportion of investment in productive, renovative and transformative projects rose to 74.9 percent from 70.1 percent in the previous year. However, the scale of overall investment in capital construction was still too great, and the situation of indiscriminate investment in the general processing industry still remained.

On the matter of increasing revenue and reducing expenditure, governments at all levels also did a great deal of

work. Management and collection of taxes were strengthened, and there was a relatively large increase in tax revenues from industries and commerce. Taxes paid by private individuals engaged in industry and commerce alone increased by over 100 million yuan over the previous year. Many industrial and commercial enterprises conducted checks to look into their finance, equipment, and materials. In order to cut back expenses, governments at all levels not only drastically reduced appropriations for capital construction but also strictly controlled group purchasing power, implemented a system for the examination and approval of investment by a committee, cut down the volume of newspapers and periodicals, returned rooms rented as offices in guesthouses on a long-term basis by some organs and enterprises, and economized and simplified meetings for commemoration, victory, and commendation celebrations. Meanwhile, they also strengthened auditing work and conducted general tax, financial, and foreign exchange inspections. The State Council called upon all localities to cut back financial expenditure by 10 percent to contribute more to the central government. After fulfilling this mission, our province was still able to maintain a balance in income and expenditure. But the tightening financial situation is still one of the main current problems.

## **2. On the Basis of Stabilizing the Overall National Economy, a Series of Measures Was Adopted To Strengthen the Agricultural Economy**

Rural reforms during the past few years have promoted the growth of a commodity economy. With the vigorous upsurge of multiple operations and rural enterprises in particular, the income of farmers has increased and their livelihood has improved, and the overall rural economy has been on the upturn year after year. However, beginning from 1985, the acreage for the cultivation of grains, cotton, and oil-bearing crops has been decreasing, and so has been their output. The production of live hogs has also been very unstable. This has become an outstanding problem in the economy of our province.

During 1987, governments from provincial to city and county levels considered the stabilization of the agricultural economy as a prerequisite for the overall stabilization of the provincial economy and thus put in great efforts toward this end. The main leaders of governments at each level took personal interest in major agricultural problems, thereby restoring and improving the agricultural command system from the province to the township. Despite the tightening of financial resources, they continued to increase their investment in agriculture. The provincial government alone increased its investment in the construction of agricultural infrastructure by 37.2 million yuan over the previous year. The mass upsurge to build irrigation works, which had not been seen for many years, reappeared in many localities. On the transformation of low-yield farmland, the local governments also put in a lot of effort. The systems of operating rural industries to support agriculture and of

labor investment were promoted further. Nearly one-third of the villages in the province set up agricultural development funds, raising a total of 80 million yuan. In order to stabilize the selling price of food grain, the state raised the purchase price of food grain and increased the contracted supply of fertilizer and diesel oil at government prices. The various departments also strengthened their work in agricultural assistance. The agricultural, scientific and technological departments earnestly promoted various technological measures such as high-yield cultivation models, prescriptions for applying fertilizer, and methods of expanding quality strain acreage to increase production. Banks and credit cooperatives increased loans to collective agricultural enterprises and peasant households by 1.34 billion yuan.

Industrial and commercial enterprises and supply and marketing departments did much to resolve the problems caused by shortages of the means of production in the agricultural sector. However, despite increases in their outputs, chemical fertilizer and pesticides production was unable to meet the growing demands. Because of this, many people in the rural areas used lowlands, hilly areas, beaches, and ponds to develop nontraditional agricultural undertakings, which has become an important means of readjusting rural production structure, developing commodity economy, and increasing the peasants' income. The province specially appropriated over 20 million yuan for use as loans to support nontraditional agricultural undertakings in economically distressed villages. In 1987 natural disasters were frequent and affected large areas. The state appropriated some 40 million yuan in relief funds and large amounts of materials to help people in the disaster areas tide over difficulties. Progress was also made in the work of helping the poor.

In 1987, total output volume of grain was only 15.67 million metric tons, a decrease of 2.4 percent from the previous year. This drop occurred despite the increase of crop area by 1 million mu. The big drop in early rice production due to natural disasters was partly to blame. Even an increase in the output of spring and summer grain production could not make up for the loss. A more important factor, however, was the lack of enthusiasm among peasants, who considered grain, cotton, and pig production not profitable. This was particularly true in areas with a more developed commodity economy. A fundamental way of changing this state of affairs is to arouse the peasants' enthusiasm and promote the development of the productive forces through in-depth rural reform. The provincial government has convened a conference on rural work to study and adopt policy measures in support of agriculture. It is determined to double its efforts to stabilize and further develop agriculture, the foundation of the national economy.

## **3. Reform of the Mechanisms of Enterprise Management and Various Other Reform Measures Were Carried Out To Invigorate Enterprises, Which Was Our Main Concern.**

Beginning in the second half of 1986, on the basis of our analysis, we popularized the practice of Lanxi, Hangzhou, and Xinchang in implementing contracted managerial responsibility systems among enterprises. This produced notable results. In 1987 we continued this task,

regarding it as an important element of our economic structural reform. We stressed the need for taking into consideration each locality's financial capacity and steadily and gradually carrying out the reform at the locality's own expense on a voluntary basis. About 70 percent of the industrial enterprises included in our budget were operating under contract or were leased out, and appropriate forms of managerial responsibility system were introduced. Many small industrial and commercial enterprises and enterprises which made negligible profits or suffered losses were also leased out. A number of integrated, collective, and rural enterprises issued shares on a trial basis. Three kinds of managerial systems were introduced in many places. One requires the factory director to assume full managerial responsibility, another requires the factory director to take full responsibility for the attainment of certain objectives during his or her tenure, and the third requires that the performance of the enterprise be subject to supervision through auditing at the expiration of the director's term. A distinct feature of reform in management mechanism was its emphasis on the separation of government and enterprise functions and the improvement of enterprises' internal managerial mechanisms. This was different from past reform, which concentrated on reducing the taxes levied on enterprises and improving their external environment. Our reform is still in the initial stage, and we need to do a lot more before enterprises are able to manage and develop themselves, assume full responsibility for their losses and profits, and exercise self-restraint.

While reforming enterprise management mechanisms, various localities vigorously promoted the development of lateral economic ties. They attached particular importance to economic associations formed by backbone and advanced enterprises, which utilized advanced science and technology to produce brand-name and fine quality products and which took over the management of backward enterprises under contract. There were more than 3,000 registered economic associations in the province, 1,000 of which were formed last year. Association and cooperation were expanding from production to other fields of undertaking. Associations of banking institutions, for instance, were beginning to emerge in Ningbo and Wenzhou. Provincial government offices set up in fraternal provinces and municipalities did a great deal of work to promote the exchange of information and economic and technological cooperation with the respective provinces and municipalities.

We have also carried out reforms of banking, circulation, pricing, and labor systems in support of the reform of enterprise operations. We have established a number of money markets in various localities and a fund-circulating system connecting major cities in this province and other provinces. In addition to urban consumer goods markets, rolled steel markets have been opened up in Hangzhou and Ningbo, and technology, labor, and real estate markets have been set up in some localities. The governments at various levels and many departments

have actively changed their functions, delegated powers to lower levels, and improved their services. The industrial and commercial administration, standardization and metrology, environmental protection, finance and banking, taxation and price, auditing and statistics, customs and commercial inspection departments have improved their supervision and management of economic activities.

Scientific and technological work has been actively reformed to meet the needs of economic development. Last year, we arranged 53 major research projects, most of which are in connection with present production and export trade, will not cost much money, and will yield quick and good results. Most of the projects are proceeding according to plan, and some of them have begun to yield planned results. In order to arouse the enthusiasm of scientific and technological personnel for taking part in economic construction, we have continued some encouragement measures by relaxing control of scientific research organizations and scientific and technological personnel. We have developed the science and technology market and promoted cooperation among scientific research organizations, colleges, and industrial enterprises. According to statistics by 118 scientific research organizations, they took on more than 1,000 projects at the request of productive organizations last year. The province has started 205 state, provincial and city (prefectural) projects of the "spark program" with a total investment of 145 million yuan. After the completion of these projects, they will create 600 million yuan in output value and more than 100 million yuan in taxes and profits. Some organizations, including the Shangyu blower plant and the Shanghai Jiaotong University, have formed Zhejiang's first "spark" technological group and thus blazed a new trail for turning science and technology into productive forces and improving the quality and competitive ability of village and town enterprises.

#### **4. We Have Begun To Pay Attention To Develop an Export-Oriented Economy and Improved Investment Environment**

The Fifth Session of the Sixth Provincial People's Congress proposed that we should develop an export-oriented economy to enhance the economic strength of this province. Over the past year, governments at various levels have put the expansion of export trade, use of foreign capital and import of technology as important items on their daily agenda. In order to promote economic, technological, and friendly exchanges and expand trade with foreign countries, we have held a Zhejiang commodity fair in the United States, sent delegations to West Germany, Brazil, the United States, Japan, and Australia to study and to discuss business, and formally inaugurated the Fuchun Company in Hong Kong to augment Zhejiang's influence. All departments and localities have paid more attention to the production and procurement of major export goods and given high priority to supplying raw and processed materials, energy, and capital funds in connection with the production

of export goods. The state has adopted some new encouragement measures for light industry and textile products, machinery, and electric appliances and for export trade enterprises, bringing about a remarkable increase in foreign exchange earnings from export trade. In order to attract foreign investment, we have seriously implemented the State Council's provisions on attracting foreign investment, and made efforts to improve the investment environment.

The Zhejiang Airline Company went into operation, and program-controlled telephones in Hangzhou, Ningbo, and other cities were installed for use. Contracts signed last year for using foreign funds were worth U.S.\$160 million, U.S.\$123 million of which was already put to use, a 240 percent increase over 1986. Last year 39 Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises, and exclusively foreign-owned enterprises were set up, 38 of which were industrial enterprises. These enterprises earned U.S.\$18.79 million in foreign exchange last year. Progress was made in economic and technological cooperation with foreign countries, especially in contracting construction projects. Tourist facilities were expanded, and our capacity for receiving tourists increased. Last year the province received 320,000 foreign tourists and earned an amount of foreign exchange equivalent to 148 million yuan, increasing by 4.5 percent. Certain achievements were made in developing an export-oriented economy last year. Compared with Guangdong and other provinces and municipalities, however, we still have a long way to go.

#### **5. Education on the "Two Basic Points" Conducted, and the Building of Spiritual Civilization and the Development of Democracy and the Legal System Strengthened**

Early last year, some destabilizing factors appeared in society, and a tendency toward bourgeois liberalization occurred in the political and ideological spheres. In view of the situation, we systematically conducted education among the cadres and masses on the four cardinal principles and the legal system in accordance with the party Central Committee's instructions and the NPC Standing Committee's "Decision on Strengthening Education in the Legal System and Maintaining Stability and Unity." As a result, the excellent situation of stability and unity was consolidated. Shortly afterward, the party Central Committee set forth the two basic points of its line implemented since the 3d Plenary Session of its 11th Central Committee. Then, we carried out extensive education on the two basic points among large numbers of cadres, especially among leading cadres. In the province, new governments were organized at the county and township levels last summer and autumn. New leading cadres from the provincial to the city or county level attended training classes by stages and in groups before assuming office. Following the 13th party congress, cadres in various localities and departments were organized to study the documents of the congress. Keeping

actual conditions in mind, they studied these documents, thus gaining a profound understanding of them. Institutions of higher learning as well as some technical secondary schools and middle schools organized their students to visit achievements in economic construction. Nearly 30,000 students participated in social practice during the last summer vacation. They engaged in investigations and studies and provided scientific and technical services. Some institutions of higher learning also conducted military training, enabling a large number of students to receive a lively and practical education.

Governments at various levels attached greater importance to education. The expenditure for education increased by 3.6 percent over 1986, a rate which was higher than the growth rate of the province's total spending. The provincial people's government commended 100 advanced villages and towns for their achievements in running elementary education. Progress was made in developing preschool education. The system of 9-year compulsory education was implemented in 264 villages and towns in 1986 and in another 274 villages and towns last year. Technical secondary education continued its development in the course of reform, and the number of students enrolled in technical secondary schools increased by 5.5 percent. Continued efforts were made to readjust the specialties offered by regular institutions of higher learning and the proportion of such specialties in each institution. Specialties in great demand were expanded to some extent. A large number of productive and professional cadres were trained through various kinds of adult education. Greater importance was attached to the training of teachers, and their quality was thus improved.

Cultural, press, publishing, radio, and television departments made fresh contributions to popularizing the four cardinal principles, promoting reform and work in all fields, and enriching the people's spiritual life. Public health departments scored new results in actively controlling the spread of frequently-occurring diseases and common ailments. Sports activities were carried out vigorously among the masses. The large numbers of athletes and coaches engaged in rigorous training and fierce competitions, and scored good results in sports contests at home and abroad, breaking three world records. At the Sixth National Games, Zhejiang's athletes demonstrated their superiorities, ranking fourth and ninth respectively in terms of total number of gold medals won and total scores. This was an outstanding achievement. These departments also made useful explorations in the course of reform.

Family planning cadres, health technicians, and large numbers of grassroots cadres worked very hard in face of the peak in childbearing. The rate of family planning in the province rose from 83.31 percent in 1986 to 86.93 percent.

Activities were carried out more widely and thoroughly to encourage formation of civilized units and five-good families, and to promote cooperation among army-men,



civilians, and policemen to develop spiritual civilization. During the second half of 1987, we also unfolded province-wide activities to oppose gambling, feudalistic superstition, and extravagance in weddings and funerals.

New progress was made in socialist democracy and the legal system. In preparation for replacing the old with the new governments at county and township levels, many government officials earnestly briefed the people's deputies on the work done, listened to their opinions, and accepted democratic evaluation and supervision. The education in popularizing legal education was widely launched. Last year, the Provincial Government submitted 5 local statutes to the Provincial People's Congress Standing Committee for deliberation and promulgation, and 20 administrative decrees were promulgated in the name of the Provincial Government. The Provincial People's Congress Standing Committee organized several province-wide general inspections on law enforcement. The various localities made comprehensive efforts to maintain social order, unfolded the struggle to strike severely at serious economic criminals and felons. On the whole, social order was stable.

The work on the people's armed forces continued to advance in the course of reform. The first reserve infantry division that combined military and civilian into one was smoothly formed. The building of the people's armed forces departments was further consolidated, and militiamen were organized and mobilized to take active part in development of material and spiritual civilization in their localities. The work on militia on the nautical frontline and the work on militia for conducting rescue operations in times of nuclear warfare was commended by the General Staff Department and the Nanjing Military Region. The task of settling transferred, demobilized and retired servicemen and of conscription were fulfilled fairly satisfactorily. Progress was made in promoting social welfare and giving special care to disabled servicemen and family members of revolutionary martyrs and servicemen.

Last year, we also organized large numbers of cadres to earnestly study the State Council's "Decision on Handling the Extraordinary Forest Fire of Daxinganling," drew lessons from it, and launched a province-wide struggle against bureaucratism. All localities and departments went ahead to heighten the masses' awareness, and mobilize them to expose problems and look for hidden dangers in practical situations. People and events that indicated serious irresponsibility to the interests of the state and the people were sternly handled, and some longstanding, big, and difficult problems of wrangling were settled. Meanwhile, rules and regulations were formulated and perfected to clearly define responsibilities. This struggle was instrumental in improving workstyle of public organs. However, many problems still exist in this area. Combating bureaucratism is still a prolonged and arduous task.

Our achievements in all areas in the past year gave full confidence in fulfilling our province's Seventh 5-Year Plan. However, we should also realize the many difficulties and the underlying destabilizing factors in economic construction and social development in our province. The prominent ones are the excessive increases in retail prices of some consumer goods and the prices of the means of production, which have occasioned considerable complaints from the masses. Prices are a comprehensive reflection of the national economy. Excessive investment in fixed assets and inflation of consumption funds in the society, as well as the rush purchases of some overpriced export commodities are factors that drive up prices and aggravate the contradiction between demand and supply in general. Judging from our work, we did not properly handle the relationship between implementing flexible policies and strengthening macroscopic management when the old economic system was being replaced by the new system and when two kinds of prices coexisted. We did not effectively control things that need to be controlled, nor did we effectively support those that required support. Furthermore, in implementing flexible policies for some commodity prices, we did not promptly back it up with price control measures. Although the state offered only a few measures for raising the prices, there were considerable price hikes in the market. These problems have drawn the attention of governments at all levels. In the future, we should work harder to strengthen reform, curb demand, and improve supply; and give priority to stabilizing commodity prices while maintaining a stable economy to ensure a sustained and steady economic growth.

In 1987, the broad masses of people, all democratic parties and groups, all civic organizations and army units stationed in Zhejiang rendered great support to our government in its work. On behalf of the provincial government, I would like to express our heartfelt gratitude to all.

## II. The Work Principle and Main Tasks for 1988

In accordance with the guidelines of the 13th National Party Congress and the important instructions given by Comrade Zhao Ziyang on his two recent inspection tours to coastal areas, the work principle and main tasks of our province for 1988 are to firmly implement the principle of "further stabilizing the economy and strengthening reform," achieve development in the course of stabilization and retrenchment, increase the benefits from strengthening reform, cut excessive demands, improve supply, and go all out to stabilize commodity prices and improve the people's standard of living. In the meantime, we should lose no time in developing an export-oriented economy, take the path of playing a role in the great international economic cycle, and further gear up the building of the socialist legal system and spiritual civilization while maintaining a steady and stable economic development.

In 1988, the main targets of our province's economic development are: a 7.8 percent growth of the gross domestic product, a 10 percent increase in the total industrial output value, a 4 percent increase in the total agricultural output value, a 5.3 percent increase in the total grain production, and an 8 percent increase in financial revenue, all these to be achieved by improving economic results as a prerequisite. According to the plan, exchange earned through export should be 15.7 percent more than last year, the natural population growth rate within the limit of 9.9 per 1,000, and the people's actual per-capita income higher than the 1987 level.

Stabilizing the economy and strengthening reform is a concrete manifestation of the guidelines set at the 13th National Party Congress. It is a positive, not a negative, principle. In recent years, because of rising commodity prices, a phenomenon of rushing to buy badly needed farm and sideline products and other materials has appeared in our provinces as well as in other localities. This phenomenon is inseparably linked with the lopsidedness in seeking a high growth rate of output value and the blindness in expanding the capital-construction scale and in increasing consumption. If we do resolve to cut spending and credit loans, curtail the capital-construction scale, continue to develop the campaign to increase production and practice economy and to increase revenues and retrench expenditures, and make resolute efforts to overcome the instances of spendthrift, extravagant, and wasteful styles, we cannot alleviate the problem of the total demand far exceeding the total supply. In that case, we will not be able to stabilize the economy, nor can our commodity prices become stable. Moreover, if we look into the measures adopted by the central authorities this year, we will see it is imperative to implement the retrenchment principle. For example, a large part of the funds needed for local key construction projects to be totally provided or subsidized by the central authorities according to the original plan now have to be taken care of by the localities concerned. Out of the local revenues, a greater amount will have to be turned over to the central authorities. A sizable portion of the raw and semifinished materials originally designated to be imported by the state under a unified plan will have to be imported by the localities concerned. There will be a further reduction in the quantities of rolled steel, coal, nonferrous metals, and industrial chemicals to be distributed by the state. In view of this, we should determine to lead a hard life for a few years to come and energetically advocate the spirit of making hard pioneering efforts and building up the country through diligence and thrift. In particular, it is imperative to resolutely compress the "over-expanded" consumerism in capital construction by strictly complying with the relevant rules set by the State Council. Projects should be stopped or their scale reduced as needed. This is the correct and only choice that we can make from the viewpoint of the long-term stable development of our economy and in the interest of social stabilization.

Stabilization and retrenchment should not apply to everything indiscriminately, nor does it mean that we

should accomplish nothing. What it really means is that we should retrench what should be retrenched and ensure the development of what should be developed. If we do not retrench the production of those products that have already been blindly developed and are now in excessive supply, it will be impossible to increase the production of those items now in short supply. Likewise, if we do not retrench the overexpanded processing industries, the shortage of the already insufficient energy and raw and semifinished materials will become even more acute. Moreover, without changing the practice of blindly seeking a high growth rate of output value, we will be unable to put our economic work on the track of raising economic results and relying on the advance of science and technology. Because of this, it can be said that firmly implementing the principle of stabilization and retrenchment is a concrete action at present to carry out the economic development strategy of "steady growth and coordinated development with emphasis on economic results and improvement of quality." We should note that because of the needs in various areas, our economic construction should be maintained at an appropriate speed. However, speed should not be construed only as the growth of output value; compared with output value, economic results and advance in science and technology are of even greater fundamental importance because they are elements that can produce long-term effects. With poor economic results and slow progress in science and technology, our country and people cannot become rich, nor is it possible to display the superiority of socialism even though our output value is growing at a certain speed. In that case, the gap between our country and developed countries will become wider and wider.

We should be keenly aware of this extremely important issue and feel a strong, pressing responsibility for it. Implementing the central authorities' policy on stabilization and retrenchment is precisely a turning point for us. We must be determined to readjust the production structure, pay close attention to increasing economic returns, concentrate our limited financial strength and material resources on ensuring the smooth progress of the key projects, vigorously develop the export-oriented economy, promote the stable growth of agricultural and particularly grain production, strengthen education, and speed up the scientific and technological advance. As long as we adopt the principle of flexibly dealing with different cases in different ways on the premise that the overall scale is brought under control, we will be able to secure stability in the course of retrenchment and to achieve even better development in a stabilized environment.

A far more important aspect in maintaining national economic stability and promoting an export-oriented economy in the coastal areas is that they promote each other, though they have the undesirable aspect of hampering each other at the same time. Let us take a look at the situation in Zhejiang. We must spend foreign exchange to import a portion of chemical fertilizers,

pesticides, and fodder every year. The raw and processed materials for industrial use have to be imported, too. It is even more necessary for us to spend foreign exchange for advanced technology and equipment. If our export-oriented economy enjoys greater development, if we can increase our exports and earn more foreign exchange, with foreign exchange at our disposal, we would be in a position to stabilize the economy. Contrarily, if we follow the beaten path of depending on the domestic markets, the conflicts between the coastal areas and the hinterland competing against each other for raw materials and markets will worsen. Therefore, vigorously developing the export-oriented economy in the coastal areas and taking the road of the great international economic cycle will be tremendously conducive to stabilizing the domestic economy.

Both stabilizing the economy and developing the export-oriented economy must, fundamentally speaking, depend on reform, which should dominate the overall situation. The primary task of strengthening reform this year is to succeed in restructuring the managerial mechanisms of enterprises. Further improving the contracted managerial responsibility system of enterprises and stepping up the campaign to increase production and practise economy and to increase revenues and retrench expenditures should invigorate enterprises, thereby getting efficiency, turning out more commodities, developing talented personnel, and acquiring experience. Thus, not only the enterprises themselves will enjoy growth, but also the whole economy will enjoy a steady development. In order to develop an export-oriented economy, we shall take a big step forward in reforming the foreign trade structure this year. The pace in the reform of the scientific and technological structure as well as the educational system will also be quickened. Many new policies and measures will be announced one after another. In addition, the reform of personnel system, labor and wages system, investment structure, and goods and materials structure, and of housing system will all be carried out step by step. Therefore, we must conscientiously enhance our awareness of reform and the open policy and learn to dominate the overall situation by means of reform and to promote steady economic and social development through reform.

At present, people have discussed the problem of commodity prices at length; they have strongly made their opinions known. The pricing problem is a conspicuous one that plays a very important part in the economic and social stability. Price reform has to be carried out. The initiatives of those who are engaged in production and the development of production have been affected by the as yet unresolved issue of the prices of some important agricultural products, some industrial products, and raw and processed materials. However, while reforming the prices, we must fully take into consideration the capabilities of the urban and rural residents, enterprises, and the state finance to sustain the impact. Consequently, we must adopt a cautious attitude toward price reform. On

the premise of basically maintaining stability of commodity prices, we must take the measure of partial structural reform, making allowances for longer schedule and steadier step for the reform. While adjusting certain commodity prices, we should grant appropriate subsidy to workers, staff members, and residents. The governments at all levels should continue to attach great importance to stabilizing the commodity prices. They should conduct comprehensive administration in respects of expanding production, controlling demands, guiding consumption, and strengthening management.

In our work this year, we should focus on stabilizing the prices of the "vegetable basket" [nonstaple foodstuffs], which are of most concern to urban and rural residents, as well as the prices of "agricultural goods and materials," which are of most concern to peasants. To solve the problem of the "vegetable basket," we must work hard to succeed in the production and supply of such nonstaple foodstuffs as meat, poultry, eggs, vegetables, and fish. The provincial government has decided to continue to set aside nearly 180,000 metric tons of fodder grain at preferential prices and 10,000 metric tons of urea at government prices especially as a subsidy for hogs sold to the state and for establishing commercial hog bases. Every city, prefecture, county, and qualified industrial and mining enterprise is required to establish bases for production of such nonstaple foodstuffs as pork and others. As for vegetables, the city and its urban districts must maintain an adequate cultivated area and strengthen the capability to combat drought or flood. Moreover, the county, town, and market town must set up production bases to correct the abnormal phenomenon of backward flow of vegetables from urban to rural areas. All localities must continue to do a good job in making rational use of the price and operating subsidies for grain, cotton, edible oil, and main nonstaple foodstuffs. The state-run businesses and the supply and marketing cooperatives must control the necessary source of goods, regulate the market, and check unjustified increases in commodity prices. Exports of daily necessities that are in short supply domestically must be brought under control appropriately. Unjustified price increases of the means of agricultural production must be strictly prohibited. Every operating department in charge of the means of production and every department in charge of communications and transportation must strictly enforce the State Council's regulations governing the control of prices for the important means of production and for communications and transportation, as well as the State Council's regulations governing the implementation of price ceiling for those means of production not covered by state plan. The commodity prices department, the industrial and commercial administration, and the executive department of enterprises must closely coordinate with one another to deal with prices in accordance with the laws, strengthen their supervision of and tighten their control over the commodity prices, and consolidate the market order. We must continue to pay attention to utilizing the roles of commodity prices

supervision station of workers and staff members, consumers' associations, self-employed laborers' associations, and the units of the press and the media. We must resolutely crack down on activities disrupting the market order, such as forcing up commodity prices, panic purchasing, and illegal dealings in commodities that are in short supply.

The problem of commodity prices is a complicated one that needs our analysis. Generally speaking, to succeed in stabilizing the commodity prices, we must strengthen macroeconomic control of the scale of social investment and the consumption fund. However, if the prices of some important commodities are too low, the production of these commodities will be adversely affected, and they will be in short supply. It will be detrimental to economic development and the improvement of people's living standard if the price problem is not gradually straightened out. Therefore, we should combine control with guidance in handling the problem of prices in the future. It will not do if we do not keep it under strict control; nor will it do if we passively check its rise. In order to gradually straighten out the prices and, at the same time, ensure stable living standards for the residents and the improvement of these standards along with the increase in economic returns, we are exploring ways to correctly handle the relationship between wages and returns, and between wages and commodity prices, on the basis of developing the economy. After approval by the departments concerned of the State Council, experimental work to link wages to commodity prices and economic returns will be conducted on a trial basis at certain localities.

### **III. Fully Utilize All Favorable Conditions To Accelerate the Development of an Export-Oriented Economy**

Developing an export-oriented economy in the coastal areas is a policy of strategic significance for China's economic development as well as a necessary requirement for the development of a commodity economy. Judging from the conditions in Zhejiang, this is also the only way for the province to utilize its strong points, overcome difficulties, promote technical progress, and invigorate the economy. Zhejiang's per capita arable land is small, and it is relatively poor in natural resources. However, it has an abundant and qualified labor force and a fine foundation in terms of technology and facilities. Moreover, the province is located in the golden area of the Chang Jiang Delta and is blessed with many fine deepwater ports including Beicang, Zhoushan, Zhapu, Jiaojiang, and Wenzhou. Many Zhejiang natives are residing abroad or in Hong Kong, Macao, and Taiwan. These strong points and weaknesses dictate that it is necessary and possible for the province to promote an export-oriented economy in its economic development and take part in the great international economic cycle. We should draw on the experiences of some nations and areas in the Pacific rim in invigorating their

economies, turn our attention to the international marketplace, and make an active effort to secure all the resources and benefits that can be gained through international exchange. We should shift the attention of a large number of our enterprises, including village and township-run enterprises, from scrambling for domestic raw materials and market by encouraging them to participate in the competition in the international market. We should have the high aims and lofty aspirations of gradually turning our small, resource-poor province into an economic power through the development of an export-oriented economy and make greater contributions to national modernization.

The current situation of the international market is favorable for the development of an export-oriented economy in our province. Due to increases in wages and production costs, the economically-developed nations are experiencing difficulties in exporting some products and are expanding investment abroad. We can attract and use their investment. Because of the appreciation of their currencies, some nations and areas are withdrawing some of their products from the market; we should take advantage of this situation and replace them as the supplier of these products. This is particularly true of labor-intensive products, which will continue to occupy a certain proportion in the international market and whose production is always shifting to areas with cheap labor. We must take full advantage of this opportunity to vigorously develop export products by enlisting the participation of state, collective, and individual enterprises and through the close cooperation among industrial, agricultural, trade, and technological departments. Efforts should be made to develop the processing of imported materials and attract foreign businessmen to set up the three kinds of enterprises that are either partially or wholly foreign-owned.

To bring about a strategic transition from a domestically-oriented economy to an export-oriented one requires departments at all levels and every front of endeavor in the province to emancipate their minds, reach a common understanding, make concerted efforts, and accelerate their pace. Our province has already laid a certain foundation of export-oriented production, and there are great potentials and prospects for progress. Compared with the advanced fraternal provinces, however, we feel keenly that our province is still behind, and we must do all we can to catch up. Meanwhile, we must take note of the fact that developing an export-oriented economy is a complicated and arduous task. Our ideology, structure, personnel, material conditions, and work methods are unable to meet the requirements, and we need time to learn hard and practice. In addition to reform of the foreign trade system, we must also institute supplementary reforms in finance, banking, and planning work. Scientific and technical progress is becoming more and more urgent; the task of personnel training is becoming increasingly heavier; and the investment environment needs improving. The development of an export-oriented economy will also affect the prices, wages, and

even people's ideology and workstyle. We must be well prepared mentally to deal with the problems that might arise in these areas. We must emancipate the mind to make an all-out effort and at the same time ensure steady progress in a down-to-earth manner. Situations are different from area to area and so are the requirements for these areas. We must pay special attention to the following work:

First, we must earnestly reform the structure of foreign trade. The general guidelines are to make the enterprises assume full responsibility for profits and losses and full authority over management, ensure better coordination between industry and foreign trade, and introduce a system whereby foreign trade corporations can act as agents for other enterprises in the export of their commodities. The state assigns tasks to the province, the foreign trade corporations, and production enterprises authorized to engage in foreign trade. The province should in turn mobilize the initiative of lower levels by delegating powers or adopting other measures. It is necessary to select a number of qualified production enterprises or groups of enterprises to directly engage in foreign trade. Distribution methods including the system of sharing foreign exchange earnings must also be improved accordingly. Reform of the foreign trade structure requires time. Before the new structure is established, we must execute the regular foreign trade work well this year and see to it that the reform will not adversely affect the fulfillment of the task of earning foreign exchange through export.

Second, we must strive to open up new markets abroad to fulfill this year's export quotas, which remains a pressing task at the present. It is necessary to readjust the mix of export commodities and expand the production of key commodities according to the demands of world market. In view of the relatively large export markets for Zhejiang's traditional industries such as light and textile industrial products, silk, and foodstuffs, we must exert greater effort toward the production of intensively and finely processed products by improving the product grade and packing to increase their value and make them more competitive abroad. There are great export potentials for machinery and electronic products which should become the main direction of our endeavor to open up new markets. Having studied and analyzed key export commodities, export zones, and enterprises, we have worked out a comprehensive plan and measures to facilitate their growth, which include accelerating technical transformation of enterprises and increasing the incentives for exports. Enterprises, cities, and counties distinguishing themselves in foreign exchange earning through export will be given political commendation and economic rewards. Further efforts must be made to integrate industry, agriculture, and technology with foreign trade, and to gradually set up stable bases for export commodities, which are the guarantees for fulfilling the export quotas. As improvement of sales services for export commodities is essential for opening up new markets, we must fulfill contracts, simplify procedures,

and shorten delivery period, aside from raising product quality and increasing the production of readily marketable goods, in order to build up the credit of enterprises. We also must bring into full play the role of Fuchun Corporation in Hong Kong and other trade offices stationed abroad in establishing and developing marketing and information networks, thus expanding the channels for trade through making friends with foreign businessmen. It is necessary to seize good opportunities to develop trade with Taiwan. Small-volume trade with Taiwan should be managed by local trading companies designated by the provincial government, on conditions that they are responsible for their own profits or losses and that foreign exchange earnings are retained by the local people. Businessmen from Taiwan will be accorded preferential treatment when they invest or build factories in Zhejiang.

Third, it is necessary to further relax policies encouraging the processing and assembling of materials supplied by foreign firms and compensatory trade. This is an important way for increasing foreign exchange earning through export. The State Council has already adopted measures to do so, which must be implemented to the letter by all-level local governments and relevant departments. In addition, the provincial government plans to reward those who have played an important role in this regard, especially in tapping the processing potentials of existing enterprises. Bearing in mind the great mobility demonstrated by collectively-owned enterprises in cities, village and township enterprises, and self-employed business operators, we plan to give them a freer hand in manufacturing labor intensive products made of materials supplied by foreign firms. Foreign trade departments at all levels should take the initiative to contract processing businesses for producers.

Fourth, we must actively use foreign capital to upgrade outdated enterprises, and encourage the establishment of Sino-foreign equity joint ventures and cooperative ventures, and wholly foreign-owned enterprises. In developing an export-oriented economy, modern infrastructure and good investment climate are, of course, indispensable. However, judging from our national and local financial resources, it is impossible to invest a large amount of funds on projects that cannot produce quick economic returns. Therefore, in using foreign capital to upgrade enterprises, including village and township enterprises, we should, instead of inducing a large sum of funds to modernize the equipment, set up joint ventures by using our existing funds, land, and factory workshops, and key equipment and technology, as well as experienced managerial personnel, brought in by foreign businessmen. In this way, we will be able to facilitate the production of export commodities by our enterprises and earn more foreign exchange within a relatively short period of time. We must encourage the establishment of Sino-foreign equity joint ventures and cooperative ventures, as well as enterprises solely owned by foreign businessmen which should be given the same preferential treatment as the former. We must make the existing

joint ventures and wholly foreign-owned enterprises a success through respecting foreign businessmen's powers to operate the enterprises according to common international practice. In order to attract more foreign businessmen and achieve greater economic returns, we must see to it that both sides of the joint ventures make profit. From a long-range view, to have foreign businessmen manage enterprises for us is to our advantage because they bring in managerial expertise and marketing channels and teach Chinese staff and workers the skills to take part in the competition in world markets.

Fifth, we should increase our foreign exchange earnings by expanding our foreign trade. Labor and technology export and tourism are the main sources of foreign exchange earnings for our province, and we should work harder to develop such undertakings this year. We should achieve better economic results in contracting construction projects in foreign countries by changing from a simple labor contract to a comprehensive contract for labor, engineering, and building materials. Cooking, variety shows, martial arts, handicraft, and gardening are features of our province. There should be broad prospects for us to send labor abroad in these areas. We should further strengthen our leadership over and the management of the tourist industry and do a good job in planning and building facilities at scenic spots and publicizing them. Tourism characterized by folkways and health care should be developed, and the quality of service should be improved. Attention should be paid to developing and supplying products for tourists in order to earn more foreign exchange.

#### **IV. Ensure Steady Agricultural Growth and Promote Sustained Development of the Rural Economy**

It is a very arduous task for our province to be self-sufficient in grain. A large proportion of exports and raw materials for the processing industry are currently agricultural products. Whether or not prices can be stabilized depends, to a large extent, on agricultural development. Therefore, it is of great significance to bring about steady and sustained development of agricultural production. Governments at various levels should continue to put agriculture as a major item on their agenda, and mayors and county heads should continue to effectively tackle major agricultural problems.

The general requirements for rural work this year are to accelerate and deepen rural reforms; ensure a steady increase in the output of grain, cotton, oil-bearing crops, jute, ambary hemp, pork, and vegetables; vigorously develop agricultural products for export to earn foreign exchange; and actively develop village and town enterprises as well as nonagricultural industries. Peasants should be able to continuously earn a larger income on the basis of increased production and improved economic results. In short, the principles guiding our province's rural work this year are stability, improvement, development, and readjustment.

The most important task in stabilizing and developing agriculture at present is to strive to bring about a steady increase in grain production. The acreage to be sown to grain crops this year must at least remain at the 1987 level, and efforts should be made to increase the acreage to the 1985 level. The plan for total grain output must be fulfilled. In developing grain production, it is necessary to educate peasants so that they will take the overall situation into account and realize that doing a good job in grain production is not only a way to solve the problem of feeding themselves but also their glorious duty of making a contribution to the state. Grain prices should gradually be rationalized through regulatory measures such as agricultural subsidies and minor readjustments. This will benefit peasants and help them increase their investments in grain production. To support grain production, the provincial government has decided to adopt the following measures: First, a 0.6-percent grain surtax will be levied on the earnings from sales or business earnings of village and town enterprises in the province (including enterprises run by one or more households). This fund will be controlled by provincial authorities and specially used to subsidize prices at which the state purchases grain and to increase agricultural investment. This surtax alone will enable the province's grain-producing peasants to increase their income by 100 million yuan. Beginning this year, every 100 kg of purchased grain by contract will have a subsidy of 4 yuan (excluding agricultural tax). Second, the "three-linkage" [san gua gou 0005 2171 6869] policy will continue to be implemented for grain purchase, and 8 kg of urea will be supplied at the regular price for every 100 kg of grain sold to the state. Third, it is necessary to uphold the policy of subsidizing and developing agriculture at various levels and to step up its implementation. The state, localities, collectives, and peasants should all increase their agricultural investments. The province, cities, and counties should use more of their reserve funds for agricultural construction. Funds for land reclamation, the tax on using farmland for construction, and special funds for grain production should all be listed as special funds for agricultural construction. It is necessary to uphold the rural system of accumulation through labor and to implement the principles of industry subsidizing agriculture, sideline production supporting agriculture, and industrial crops supporting grain crops. Villages and townships, as well as counties, should set up funds for agricultural development. In addition to financial allocations, funds for land reclamation, and the retained portion of the tax on using farmland for construction, the agricultural subsidies paid by state and big collective-owned enterprises for using peasant labor are also a source of funds for agricultural development at the county level. Most of the payment of a new, special local-product tax levied on agricultural and aquatic products will be retained by counties as their funds for agricultural development.

Fourth, it is necessary to continue to implement effective technical measures to increase production. The scope of experimenting with agricultural scientific research

results should be expanded, and such results should be put to use in production as soon as possible so that they will become a new productive force. The provincial government began last year to give the "bumper harvest award" mainly to scientists, technicians, and producers as an encouragement to those bringing about remarkable economic, social, or ecological benefits in popularizing and applying scientific and technological research results. Fifth, people in all trades and professions should vigorously support agriculture, and particular efforts should be made to improve the production and supply of materials for agricultural use. In producing major materials for agricultural use such as chemical fertilizers, pesticides, plastic film, and small and medium-sized farm implements, special consideration should be given to their production in terms of raw materials, energy, funds, and tax payment. The provincial authorities should particularly grasp the technical transformation of a number of chemical fertilizer plants and enterprises producing raw materials for pesticide production and allocate some foreign exchange to import more materials for agricultural use. Sixth, it is necessary to manage land in strict accordance with law and to reclaim more land. All cities, prefectures, and counties should pay close attention to setting up land management bureaus and conscientiously implement the land management law. Mandatory quotas for localities in using land for non-agricultural construction must not be surpassed, and a responsibility system should be instituted in this regard from level to level; violators should be sternly dealt with. Conditions permitting, localities should make vigorous efforts to reclaim land. Land reclamation fees and the tax on using farmland for construction should be used mainly for the purpose of land reclamation. While doing a good job in grain production, it is necessary to take effective measures to increase the production of cotton, oil-bearing crops, pork, hemp, and other staple agricultural products that have a bearing on the national economy and the people's livelihood.

The first major task in this year's in-depth rural reform is to improve the two-tier management structure and the conditions of a number of economically weak and disorganized administrative villages where nobody seems to be in charge. We need to develop crop farming, aquaculture, and processing industries at the village level in the light of society's needs and local conditions and under the guidance of a state plan so as to develop the economic strength of villages. Cooperative economic organizations at the village level should work actively to make a success of tractor ploughing, irrigation and drainage, plant protection, fine strain breeding, and other undertakings serving agricultural production. In addition to the 20 million yuan available for use as loans, the province has also appropriated 1.3 million yuan from its budget to help financially strained counties develop their economies at the village level. We must make good use of these funds to obtain the best results. We must improve the household-based system of contracted responsibilities for rural production with remuneration

linked to output, which is the foundation of a cooperative economy. We must stabilize the policy related to the contracting of land, mountains, forests, fish ponds, mulberry and tea plantations, and orchards. We must strengthen the management of contracts according to the "Measures for Managing Agricultural Contracts" and gradually institutionalize the work. In areas with a more developed commodity economy, we must encourage the peasants to make their land available to those who are good at farming. We must encourage the development of large households specialized in farming or stock-breeding and the establishment of family and cooperative farms. We must encourage village and town enterprises with the necessary means to set up and operate agricultural workshops and to gradually and appropriately increase the scale of production to raise labor productivity and improve marketability. The second major task is to gradually perfect the procurement and marketing system for agricultural and sideline products. In a socialist planned commodity economy, it is necessary to relax control to invigorate the economy but at the same time to strengthen supervision and management. The two complement each other and are the elements of reform. At present, our commodity economy is not well-developed; certain means of production still operate under a two-tier price structure; our economic legislation is still incomplete; and frictions resulting from the distribution of interests between the urban and rural areas and among different localities are not completely avoidable. Under such circumstances, we cannot yet abandon necessary administrative intervention. Relaxation of control can only be conducted discriminatingly step by step and in a well-planned way. State procurement and other types of procurement by contract must continue for key commodities vital to the national economy and the people's livelihood, including important daily necessities, industrial raw materials, export commodities, and items designated as protected resources. When the state designates a procuring department or certain other units to arrange for the procurement of certain goods, no other department or unit shall meddle in the procurement process. However, certain products in this category can be traded freely according to state regulations after the state procurement plan is fulfilled. Other agricultural and sideline products can be traded freely through different channels, as they are done at present.

Currently, Zhejiang's nontraditional agriculture is developing soundly. However, generally speaking, there are still many undeveloped resources in different parts of the province, and even among those developed, they are not fully utilized. Therefore, the potential for developing nontraditional agriculture is great. Nontraditional agriculture should be accorded an important place similar to the one accorded to village and town enterprises. It should be promoted as an important element in our drive to restructure rural production and develop a commodity economy. We should step up the development of agricultural resources and seek to increase the economic returns from such development. The development of agricultural resources should be carried out in



light of market demands and according to well-developed plans. We must avoid acting blindly. We should rely mainly on the peasants themselves, with the state providing necessary support, such as providing special funds and loans. We should encourage enterprises and institutions with the necessary means to invest in non-traditional agriculture in the countryside and cooperate with the peasants in setting up production bases for industrial raw materials, export commodities, and non-staple foodstuff. Whoever invests in and manages a venture should receive the economic returns. This should be the policy.

The development of nontraditional agriculture should be combined with the development of the rural economy and the economies of mountain areas and offshore islands. It should also be combined with the work of helping the poor. Mountain areas should develop farming, animal breeding, and processing or mining industries on the basis of their actual conditions. Particular attention should be given to developing forestry. Specific measures suited to local conditions should be taken to develop forest bases for timber and other economic purposes and as sources for forest byproducts. Efforts should be made to keep lumbering strictly within the prescribed limits, control the use of forestry resources, and earnestly prevent forest fires. The past few years have seen fast development of freshwater fishing, but there still exist great potentials for utilizing rivers, lakes, and ponds and for raising output per unit area. Positive efforts should be exerted to introduce new fish breeds, popularize high-yield techniques, and make full use of all exploitable water-covered areas for aquiculture. In sea fishing, it is necessary to energetically develop deep-sea fishing and strictly protect offshore resources while continuing to do well in developing aquiculture in coastal waters and in areas near sea beaches. Where conditions permit, all-out efforts should be made to develop the production of those aquatic products that can be exported to earn foreign exchange. To help the construction of offshore islands, the provincial authorities will make investments in building some small docks and small thermal power stations. Funds for helping the poor should be spent mainly in developing nontraditional agriculture; industrial projects that are so far lacking, involve less risks, and can give quick returns; as well as transportation and energy projects. Economically developed localities, science and technology workers, and management experts should be encouraged to use these funds to take the lead in setting up or joining others in setting up enterprises in poor areas so as to turn their advantage in resources into a strong point for commodity production and thus help them shake off poverty and become well-off as early as possible.

During the past few years, village and town enterprises have developed rapidly and vigorously in our province. This has had a significant effect on the entire province's economy and has also changed the rural outlook. A major task in developing an export-oriented economy is to rely on rural labor — which is available at low cost and

meets certain quality requirements — to produce labor-intensive commodities for export to earn foreign exchange. This puts a still higher, new demand on our village and town enterprises. Moreover, with the augmentation of urban industrial enterprises' vitality as a result of in-depth reform, competition will become even keener on the market. Confronted with these serious challenges, village and town enterprises should have a sense of crisis and urgency. They should resolutely embark on the path of consolidation, transformation, association, and improvement and shift the emphasis of their work to raising quality, using advanced technology, upgrading products, creating new and good products, earning foreign exchange, and improving economic results. In accordance with domestic and international market demands, they should readjust the structure of their respective trades as well as their product mix and go all out to increase the output of those products that are readily marketable and can be exported to yield foreign exchange. Processing industries relying on farm and sideline products for raw materials should beef up macroeconomic control to avoid aimless development. According to the principle of "combining trade, industry, and agriculture," they should establish step by step an integrated operation consisting of farming, animal breeding, processing, marketing, and export, and they should develop a number of competitive products with distinct native characteristics. In addition, cooperation should be conducted with scientific research units and institutions of higher education so as to develop new products and establish a number of "research-production type" export enterprises. Within the enterprises, it is necessary to improve the contracted responsibility system, strengthen management, and make a success of the "two cleanups" [liang qing 0357 3237] work. Attention should be paid to preserving the strong points of cheap labor costs, reducing consumption funds, increasing the enterprises' accumulation, speeding up their technological transformation, and beefing up their ability to compete. Continued efforts should be made to develop multidirectional, multichannel, and multiform lateral ties and to join big urban industries in forming enterprise groups. Besides, more attention should be paid to personnel training so as to raise the quality of their labor force. In those areas where village and town enterprises are on a less sound basis, some projects capable of producing good economic results may be started in a planned way in accordance with the local resources available and the market demands. In other areas, however, there should be no more new projects. In developing village and town enterprises, the government departments concerned should gear up management and guidance and, at the same time, respect the decisionmaking powers of these enterprises. There should be neither forcibly imposed quotas nor too much intervention.

#### **V. To Advance Economic Development by Relying on Scientific and Technological Progress and Training More Intellectuals**

To develop an export-oriented economy, spread intensive management, and ensure the steady and balanced



development of the national economy, we must give priority to scientific and technological advances and training more intellectuals. In developing our province's industry, we have for many years relied to a large extent on the old method of extension. In addition, except for a small number of enterprises, the majority of our enterprises are backward. Although some have imported advanced equipment, they have not made full use of their equipment. If we are satisfied with the status quo and muddle along, many of our products will not be able to compete on the world market and will soon be edged out. In the final analysis, market competition is a competition involving science, technology, and intellectual power. Economic development must be undertaken in conjunction with scientific and technological advances and the training of more qualified personnel. Only thus can we bring about a steady and balanced growth of the economy and ensure that growth and efficiency advance together, and only thus will there be a brighter future for the development of science, technology, and education.

The key to advancing science and technology lies in bringing the initiative of scientists and technicians into full play, in encouraging them to serve and get involved in economic work, and in making them play a greater role in economic construction. Since the announcement of the decision of the CPC Central Committee on the structural reform of science and technology, our province has done much work in reforming the system of management for scientific research, opening up a technological market, and promoting lateral cooperation in scientific research. It has achieved initial results and has to a certain extent promoted the integration of science and technology with economic work. On the whole, however, the integration is still far from meeting the needs of economic development. On the one hand, some production and construction units do not sufficiently understand the importance of relying on scientific and technological advances, and set no urgent demands in this respect. On the other hand, some scientific research units do not sufficiently understand the urgent needs of economic development. They have failed to forge close ties with economic departments, and in particular, there are still obstacles in the intermediate links integrating science and technology with economic work. Many scientific research results could not be quickly transformed into real productive forces due to structural and work problems, as well as due to shortages of funds.

Our current main tasks in furthering the structural reform of science and technology are as follows: 1) To give scientific research units more freedom to act. They will be permitted to develop lateral associations with enterprises or enterprise groups, to run enterprises by contract or by lease, to join or take over an enterprise, to run scientific and technological service centers, and to run new technology, high technology industries. Scientific research units should implement the director responsibility system in an all-round way and encourage various forms of the contracted management and responsibility system within the departments under their jurisdiction. Production enterprises and individuals will also

be permitted to run scientific and technological research and development centers. 2) To give more freedom to scientists and technicians to act; encourage the flow of qualified personnel; permit scientists and technicians to engage in spare-time work; and encourage them to run small and medium enterprises or rural enterprises by contract or by lease and to run technology development and technology consultation service centers. We should train more industrialists who know science and technology through the integration of science and technology with enterprises, and permit such industrialists to raise their personal income and improve their livelihood benefits on the basis of heightened economic efficiency.

3) To actively develop technological market, formulate procedures for the development in accordance with the "Regulations of Zhejiang Province for Managing Technological Market" promulgated by the Provincial People's Congress Standing Committee, and adopt preferential policies to obtain technologies and attract qualified personnel from this and other provinces so that they work for Zhejiang's economic development; 4) to further reform the science and technology funding system, adopt a contractual system that lists remuneration for scientific researchers; and to fund basic research projects with the natural science fund, set up a provincial scientific and technological development fund and establish scientific and technological development investment companies; 5) to further promote scientific and technological cooperation and exchanges with foreign countries and import foreign technologies and intellectual resources, including skilled workers and management personnel with knowledge of advanced technology; and 6) to assign scientific and technological personnel from scientific research organizations and colleges to leading posts in cities, counties, and enterprises, and let them keep their original administrative affiliation, family registration, food ration, wages, and benefits.

We should apply science and technology in economic development at various levels in consideration of the realities of this province. First, we should make great efforts to popularize usable scientific and technological results, such as superior seeds, high-yield cultivation methods, advanced methods for livestock breeding and aquaculture, computer application, advanced silk textile technology, and energy-saving industrial furnaces, in order to achieve high and stable agricultural yields, intensify the processing of farm products, and accelerate the technological transformation of enterprises and the upgrading of their products. To implement "Spark Program" is an effective way to popularize applicable technologies and develop rural economy. The program should be included in the scientific and technological development plans and the social and economic development plans at all levels. Second, we should work in accordance with the seventh 5-year plan of this province, concentrate on scientific research, and make breakthroughs in a number of key research projects. This year, we should make achievements in developing good seeds

of grain and other major crops, fodder protein, fluorination techniques, non-metal mineral resources, key technology for silk industry, and new technology for making prepared traditional Chinese medicine. Scientific research should be linked to the development of large-scale export-oriented agriculture, to the technological transformation of major enterprises that produce export goods, and to the application of imported technologies. Third, we should keep track of the scientific and technological progresses at home and abroad, and study, import, and use some new and high technologies in a selective way, with emphasis on research of computer, biological, nuclear, marine and new materials technologies. At the same time, we should continue to do a good job in basic research. Fourth, we should step up research on optimum economic development plans and provide scientific basis for the leaders to make policy decisions. This year, we must conduct careful survey, study, and comprehensive scientific appraisal on major engineering projects, technological transformation projects, import projects, and readjustment of major product mix. We must change the practice of making policy decisions arbitrarily by a few people, making policy decisions according to old experience, and making policy decisions according to higher-level instructions. The provincial government plans to organize the departments concerned to conduct a further research on the provincial situation and the way to deal with certain situation and formulate a provincial program for the development of science and technology in next 3 years.

Modern management is a branch of science. The reliance on scientific and technological progress includes the practice of scientific management. In recent years, we have spent a great deal of money on import of some advanced modern equipment, but some of them are not yet yielding their full productive capacity and high economic efficiency due to lack of necessary scientific management. Backward and even corrupt management is the fatal weakness of our enterprises and our economic work as a whole. While our financial and material resources are limited, to solve the management problem is more imperative than solving the advanced equipment problem. In order to improve management, we must first improve the quality of management personnel, staff and workers, and strive to learn and use modern management methods. If necessary, we may hire foreign experts to check and analyze our enterprises and find out the weak links in their management.

Education is the most significant of all the projects of vital and lasting importance. Education is the foundation for the development of science and technology, the invigoration of the economy, and the progress of society. Education should be developed through reform. We should focus our attention on training qualified construction personnel of various kinds and improving the quality of the whole nation, especially of the working people. The idea of going after a large proportion of students entering schools of a higher grade is now very harmful. Thousands upon thousands of students want to

go to college, but those who can actually do so are small in number. Many students cannot meet the requirements of employment, which constitutes a tremendous waste. Therefore, education departments, schools at all levels, and even society as a whole should change this idea. While continuing to strengthen elementary education, the education departments should devote more of their energies to developing vocational education. At the same time, they should adopt an open-door policy and support schools and other organizations in society to run vocational and technical education of various types. Planning, economic, labor, and personnel departments, various trades and professions, and enterprises should not begrudge money spent on education and should effectively carry out this task. In addition, it is also necessary to organize qualified technical personnel, skilled craftsmen, and school teachers to participate in this undertaking. Various types of schools at various levels should all follow the correct orientation in running their schools and make enrollment plans according to the needs of social and economic development. Unplanned, flexible measures for training qualified personnel may be allowed, and no state funds but funds raised by society should be spent. Vocational and technical schools run by local people should be continuously encouraged. Building schools through arduous efforts and taking present requirements into account, those people offer courses in great demand; their students attend day schools at their own expense by commuting, and they will have to find their own jobs after graduation. Such experiences in training qualified people should be popularized. With the reform of the labor system, skilled workers schools' enrollment measures and their contents of courses should also be reformed accordingly. Students of such schools should be encouraged to be geared to the needs of society. They may serve state or collective enterprises, village or town enterprises after graduation. Thus, skilled workers schools may not be subjected to restrictions on recruiting quotas and household food rationing, bringing their potentials into full play.

In elementary education, the system of 9-year compulsory education should be implemented in a planned and systematic way and stages by stages. At the same time, attention should be paid to preschool and special education. The system of 9-year compulsory education is to be implemented this year in areas each with a population of 3 million and with a better economic and educational foundation. This will be the third group of areas where this system is to be implemented. The province still has six counties where primary education has yet to be made universal. Primary education must be made universal in those six counties this year. We should continue to rely on resources in society to improve conditions for running middle and primary schools. The provincial government has allocated a special fund for repairing primary and middle school buildings in danger of collapse and signed contracts with the cities and counties concerned under which responsibilities for various levels are defined and such buildings are to be repaired within next year. In senior middle school education, stress should be

put on developing senior vocational middle school. We should vigorously encourage economic departments, production units, and education departments to make concerted efforts to run schools. With conditions permitting, schools in one county may enroll students from other counties.

With regard to higher regular education and secondary specialized education, positive efforts should be made to readjust the structure on the basis of manpower requirements. Student enrollment should be reduced for those specialties where there is a relatively excessive supply of manpower. However, more students should be enrolled for those fields, such as medicine, pharmacology, public health, finance, economics, and foreign trade, where professional workers are urgently needed by society. Moreover, it is imperative to correct the problem of waste due to specialties established being incompatible with requirements with the result that the graduates have to pick up jobs in other fields than their specialties. Continued efforts should be made to reform the systems of enrolling students and assigning jobs for graduates and to open wider the routes for qualified people to work in mountainous areas, offshore islands, and rural collective enterprises. In addition to continuing to raise the proportion and scope of specifically oriented student enrollment and job assignments, we should select 80 to 100 graduates from provincial institutions of higher learning each year to support the work in mountainous areas, offshore islands, and poverty-stricken localities under a fixed-period service system. In assigning graduates from institutions of higher learning and secondary specialized schools to work in village and town enterprises, the practice that the county department concerned handles the administrative work involved and matters on the graduates' household grain [HU LIANG 2073 9037] should be continued.

Adult education should primarily take the form of on-the-job training and should be linked with the practical work of production and management. Particular attention should be paid to training plant directors, managers, and backbone personnel engaged in production and management. It is necessary to keep to the principle of taking on-the-job training, spare-time training, and self-study as the main methods, to reduce the numbers of students enrolled in higher education institutions and secondary schools for educating adults who are released totally or partially from production work, and to increase the number of students enrolled for spare-time studies. Lateral coordination and cooperation should be stepped up in running radio and television universities, staff and worker universities, and correspondence university courses and in conducting examinations for those who have acquired higher education through self-study. The units concerned should actively make arrangements for the standardization of courses and requirements for the same specialties so that they can accept the credits the students earned from each other unit.

Governments and education departments at all levels should work out their overall plans for basic education,

vocational and technical education, higher education, and adult education according to the principle of running schools and managing education at different levels and on the basis of the personnel needs at various strata. Furthermore, it is imperative to carry forward the spirit of promoting education with diligence and thrift and doing pioneering work in a painstaking way, successfully manage and use the limited education funds, and strictly ban the practice of using of these funds for other purposes.

#### **VI. It Is Necessary To Deepen Enterprise Reform with Improvement of Management Mechanisms as the Central Task and To Further Carry Out Various Supporting Reforms**

In this year's economic structural reform, we should continue to act on the principle of positive efforts and reliable ways. Emphasis should be placed on continuing to popularize the contract managerial responsibility system, aiming at raising economic benefits, further improving operational mechanisms within enterprises, and combining enterprise reform with the work of increasing supply, reducing demand, stabilizing prices, readjusting economic structure, and creating a better economic environment.

The key task in invigorating enterprises is to delegate power to enterprises and bring into full play the initiative of enterprises and their staff members and workers while letting the enterprises undertake the responsibility for their own profits and losses as well as the risks involved in their operations. As a result of some 30 years of construction work, industrial enterprises in our province are now of considerable size and have considerable strengths, but their economic returns are not high. The primary reasons are: On the one hand, some enterprises, big and medium state-owned enterprises in particular, have as yet to be invigorated. Their ownership and managerial power have not been separated, and the power, responsibility, and interests are out of line with each other. There is insufficient motivation for self-development. On the other hand, management is backward, no competition mechanism has been truly formed, and the phenomenon of "eating from the same big pot" still prevail to a great extent among enterprises. It can be said that every enterprise has a great untapped potential. A number of enterprises with poor performance have made a considerable change after they have operated under contract or lease. For this reason, what we should do is to unleash the vitality of enterprises, tap their potentials, and enhance their capabilities to transform themselves, assimilate new things by themselves, and restrain and develop themselves.

In the course of reforming the operational mechanism of enterprises in the preceding period, all localities had generally begun the contracted managerial responsibility system, the system of lease, and that of partnership. The practice shows that the system of lease is suitable for

small enterprises. We may auction off some small state-owned enterprises, including factories and stores, to any enterprises, individuals, or partnerships. In this way, we shall be able to lighten the burden of the state, and use the income from the auction for in technological transformation of major enterprises. The system of partnership may be tried out in a number of selected enterprises, and the trial should particularly continue in some lateral cooperative enterprises and enterprise groups. Some attractive enterprises may issue stocks. This is a good way to turn consumption funds into production funds and convert short-term capital into long-term capital. The contracted managerial responsibility system of various forms should be popularized in large and medium-sized enterprises and be constantly improved in the course of practice. The mechanism of competition should be introduced into the contractual operation. We should popularize the contractual operation, of which risks are shared collectively. Open bidding should be invited to select the best contractors. We should truly turn over the operational power, particularly the power to hire personnel, to the contractor, and bring to perfection the economic responsibility system in the enterprise as soon as possible. We should strive to expand the system of contracted managerial responsibility for the plant director (manager) into a system of contracted operation by all members of the enterprise, and further develop the system of contracted operation by all members of the enterprise into a system of contracted operation with all members sharing risks. We should arouse the enthusiasm of the contractors and all the workers and staff members, and link their power, duty, and interest. We should implement the contracted managerial responsibility system and the system of the director (manager) assuming full responsibility at the same time, and clarify the central role of the director (manager) in the enterprise.

While improving the mechanisms of self-encouragement of enterprises, we should also improve their mechanisms of self-regulation and guide them to act rationally. On the one hand, we should gradually link the income of the workers and staff members with their productivity and with the economic returns of the enterprise in accordance with the principle of "better welfare for more output." On the other hand, we must see to it that the consumption funds are not too large, and most of the profits retained by the enterprise should be used in development of production and technological progress in order to provide the basis for further development of the enterprise. The governments and departments at all levels should create a good environment for enterprises to operate. They should seriously implement relevant policies and must not withhold any powers that should be delegated to enterprises. It is necessary to tighten macro-control, including strictly prohibiting enterprises from grabbing illegitimate gains by illegal means, such as raising prices without authorization, raising prices in a disguised way, selling counterfeit goods, and deceiving. However, the governments and the departments in charge should never interfere too much in the internal

management of the enterprises, and they are strictly prohibited from arbitrarily apportioning expenses among enterprises or collecting unnecessary fees from them.

While reforming the operations of state-owned and collective enterprises, we should continue to encourage and guide other economic sectors to develop themselves. Currently, there are more than a million registered self-employed workers in the province. We should continue to develop the individual sector of the economy steadily, actively guide it and improve the management of it. The provincial government has approved the interim procedures for managing private enterprises in Wenzhou. All departments should support those enterprises.

In recent years, lateral economic cooperation developed rapidly and yielded remarkable results in this province. This year, we should seriously sum up experience, make the best use of the situation, and continue to promote cooperation in the course of deepening reform. In the course of cooperation, we should promote the specialization and socialization of production and circulation, improve the backward situation of "big and all-embracing" or "small and all-embracing," and bring about a rational flow and larger combination of personnel, funds, technology, and other essential factors of production. We should rely on urban centers to develop cooperation between urban and rural areas and between cities. We should bring into full play the role of cities as collecting and distributing centers, and their other functions.

Keeping reality in mind, cities should make full use of their favorable conditions such as processing capabilities, scientific and technological resources, trained personnel, ports, and ocean shipping facilities. Through broad association in various fields, networks of economic zones with different characteristics will be gradually formed. Governments at various levels and departments in charge of various industries should make overall plans for establishing lateral economic ties. In addition, they should act as a go-between, lay down rules and regulations, and do organizational and coordination work in this regard. It is necessary to continuously implement the policy measures adopted by the State Council and the provincial government to promote lateral economic ties. Industrial and commercial administration departments should strengthen their supervision and management of agreements and contracts signed by enterprises. In case of disputes, they should promptly mediate between the parties concerned or arbitrate their disputes in order to ensure the sound development of lateral economic ties.

Establishing and improving a socialist market system is an important part of coordinated economic reforms as a whole. It is essential to open various channels for the circulation of commodities with cities as the centers,

with the stress on lateral economic ties, and with production and marketing combined, in order to expand the market for farm and sideline products and the market for industrial consumer goods. State-owned commercial enterprises' wholesale systems should be further reformed according to the requirements of the socialization and specialization of commodity production. Several independent and equal state-owned wholesale enterprises of a trade may be set up in the same city, with some of their business overlapped and their work properly divided. On the principles of voluntary participation and mutual benefit, industrial and commercial enterprises, farms and commercial enterprises, or commercial enterprises themselves have organized a new type of wholesale commerce through mutual purchase of shares in each other's enterprises. This should be promoted. Trade centers should be gradually changed from management to providing services. Supply and marketing cooperatives should truly become cooperative commercial organizations of the peasants. Their rules and regulations should be improved. Such cooperatives should be managed in a democratic way so that their members can give full play to their role as masters of the cooperatives. On the basis of their original marketing and services, these cooperatives should provide new services and make full use of their stores, personnel, funds, facilities, and other favorable conditions to gradually build a multifunctional service system, including production, processing, transport, and marketing. Greater attention should be given to building markets in towns, and such construction should be supported in various areas, such as construction sites, building materials, and funds. "Roadside markets" that affect the traffic should be moved step by step. The reform of the planning and materials systems calls for developing and improving a market for the means of production. Vigorous efforts should be made to popularize Shijiazhuang's experiences in effectively running a market for steel products. A labor market should be set up with the reform of the labor system. We should continue to reform the labor system and gradually change the permanent employment system into a labor contract system with various forms of employment existing. Enterprises should be able to choose their workers, and vice versa. The contingent of workers and staff members should remain fairly stable, and there also should be a reasonable flow of workers and staff members. At the same time, funds for workers' retirement pay should be raised by society on a larger scale. Vigorous efforts should be made to reform the housing system according to the State Council's arrangements and to set up a real estate market step by step.

Reforming the investment and financial systems is an important measure to strengthen the mechanisms of macroeconomic regulation and control and to mitigate destabilizing factors in the present stage of economic life. The provincial government has decided to institute a capital construction fund system this year and to separate running expenses from construction investment and investment in business projects from investment in the

construction of infrastructure. At the same time, a provincial economic construction investment company will be set up to raise, collect, and circulate construction funds. This company will be responsible for developing, investing in, and managing economic construction projects by making flexible use of joint funds, investment, and credit. The reform of the investment system also includes changing the past practice of managing construction projects item by item. From now on, feasibility studies must be made on all new projects; investment should be sought through public bidding; and a contract responsibility system should be implemented. Banks should point out the direction for investment and strengthen their supervision in this regard. The reform of the financial system is aimed mainly at strengthening banks' position in exercising macroeconomic regulation so that they can make full use of credit, interest rates, and exchange rates as leverage to control the scale of enterprises' development and to give them guidance in this regard. Finances and credit will be tightened this year, but this should not be understood as that all cases will be handled in the same way. Cases should be handled in a flexible way and on their own merit in order to support enterprises with remarkable achievements and to restrict those with poor performance.

The banks should energetically support, with funds, the production and purchase of products in short supply, export products, grain, and other important agricultural and sideline products. In the course of handling deposits, raising capital funds and accelerating capital turnover, banks and credit cooperatives of various categories at various levels should make efforts to put money to the best use where it is most needed. It is necessary to further develop and improve the money market. In order to raise funds from society for key construction projects and for some major enterprises, long-term, intermediate-term and short-term bonds may be issued, with the approval of the people's bank. Specialized banks should speed up the process of turning themselves into enterprises and improve their management. All banking facilities must offer good quality services. They should not violate policies and indiscriminately solicit customers. Still less should they abandon their managerial and supervisory functions and extend loans recklessly.

#### **VII. Reform the Political Structure Systematically and Continue to Strengthen Socialist Democracy and the Legal System**

With the constant deepening of reform of the economic structure, the 13th National Party Congress had placed the reform of the political structure on its agenda. The main current task for government departments is to meet the situation of separating party and government, actively change their functions, separate government functions from those of enterprises, reform the cadre system, and strengthen socialist democracy and the legal system.

The reform of government work calls for changing government functions, further delegating powers to lower levels, and gradually establishing a leading system conducive to improving efficiency, enhancing vigor, and arousing enthusiasm in all quarters. In changing the functions, we should pay attention to planning, coordination, service, and supervision. In economic work, we should shift from mainly micro-control to mainly macro-control. In order to break the barriers between different departments or regions, we should change from mainly management by a department to mainly management by trade or profession. We should change the practice of relying solely on administrative means in management, and shift from mainly direct to mainly indirect control. In order to do so, our government departments must work according to the demand for separating government functions from those of enterprises, and in accordance with the principle of streamlining and efficiency, seriously examine their functions and responsibilities, and resolutely transfer to enterprises and institutions those businesses which should be transferred. Cadres suitable for working with enterprises or institutions should also be transferred there. Currently, all localities and departments should first unify their thinking, conduct investigations and study, put forward plans and suggestions, and implement them systematically after they are approved. Government organizations will not be readjusted, merged, or deactivated for the time being this year, except those in some cities and counties which are selected for experiment. This work will proceed actively and properly from top to bottom according to the central plan.

In reforming the personnel system relating to cadres, the state will establish a system of public service. Public servants will be classified in two categories—those handling political affairs and those doing professional work—and be managed accordingly. Before the system of public service is established, we should stress reforming the practice of hiring public servants at the whim of individuals or small groups. We should further improve the system of electing government leaders at various levels, and also improve the system of appointing responsible persons of departments. We should popularize the practice of hiring the personnel in the professional work category. State organs should recruit new personnel through competitive examination, and select the best qualified. Responsible cadres of governments and departments at all levels should be held responsible for the attainment of certain objectives during their tenure. They should make an annual work report to their superiors and to their own organizations, and their work performance should be evaluated annually through democratic appraisal, and be comprehensively rated every 3 or 5 years. Some should work under a system in which the performance of their organizations is subject to supervision through auditing at the expiration of their term. Such a system is designed to prevent the leading cadres from considering only the present in work, and it is conducive to ensuring rational promotion, demotion, and transfer of cadres. Reform of the cadre system

should be carried out first as a pilot program in selected provincial, city, and county departments, and then extended to all other organizations systematically after seriously summing up experience.

Government employees at all levels, especially leading cadres, should be reeducated in serving the people wholeheartedly, and strive to overcome bureaucracy. In the last few years, fires broke out constantly in forests and in industrial and mining enterprises, and traffic and industrial accidents were frequent. Major cases, such as business fraud, embezzlement, and theft, happened frequently. While some people were directly to blame, many of these problems were the result of bureaucracy. On the one hand, we should deal with these problems sternly. It is even more important that we should use them to educate our cadres to resolutely oppose the irresponsible and bureaucratic style of work. The provincial government has set up a supervisory department. The governments at lower levels should also establish their supervisory departments as soon as possible. All government employees must abide by the law and discipline, and resolutely resist, and correct, the unhealthy practice of using power to seek private interest. They should work diligently and conscientiously, be good servants of the people, and truly make the people's governments honest governments.

To build a socialist democracy with Chinese characteristics requires us to study seriously and make constant improvements in the course of practice. We should make further efforts in the following respects this year: First, governments at all levels should be responsible and make regular work reports to the people's congresses at the corresponding level, resolutely implement the latter's resolutions, conscientiously accept their supervision, and seriously handle proposals handed over by them and the proposals made by their deputies. Second, we should bring into full play the role of the CPPCC committees, constantly hold consultations with them about major government work and policies, and about important matters concerning the people's wellbeing, and accept their democratic supervision. We should seriously listen to the opinions and suggestions of democratic parties, mass organizations, and people in all walks of life, and strive to make the policymaking process democratic and scientific. Third, we should make government activities known to the people, establish a system of consultation and dialogue with all circles of society, strive to make higher and lower levels know each other's situation, and win the people's support. We should seriously and properly handle people's letters and phoned complaints. We should help the people solve imperative problems capable of solution. Fourth, we should give play to the role of enterprise workers' congress, residents' committee, villagers' committee, and students' federation, learn of the masses' opinions and demands through these organizations, and win the masses' support through them. Fifth, we should continue to improve nationalities, religious, and overseas Chinese affairs and the work on Taiwan.

All organizations concerned should seriously tackle work in receiving compatriots from Taiwan visiting their relatives on the mainland.

The socialist legal system is an manifestation and guarantee for socialist democracy. We must display democracy and improve the legal system simultaneously. In the course of currently improving the socialist legal system, we should put the emphasis on overcoming the problem of failure to abide by the law and strictly enforce it. In addition to continuing to popularize legal knowledge among all citizens, all government personnel should take further steps to study legal knowledge, know the law, and exemplarily abide by and enforce the law. Under the supervision of the people's congresses at various levels, we should continue to inspect law-enforcement work, strengthen our sense of law, and firmly act according to law. We should punish serious criminals severely and quickly, and impose severe punishment on those guilty of serious economic crimes. We should resolutely ban such ugly acts as prostitution and kidnapping of women and children, and any activity disturbing public order. We should make comprehensive efforts to improve public order. In order to deal with certain conspicuous problems of public order, we should strike at particular targets and concentrate on improvements according to circumstances and needs. We should take a further step in establishing township and village public security organizations, and let the masses help maintain law and order. We should quickly and correctly mediate and handle civil disputes and social contradictions, prevent and stop law violations and crimes, and protect the legitimate rights and interests of the state, the collectives, and the people. We should strengthen the public security and judicial force, and constantly improve the political quality and professionalism of the cadres and the police, so that they are devoted to their duty, strictly enforce the law, punish criminals, protect the people, and contribute to promoting social stability and unity, smoothing the way for reforms and opening to the outside world.

We should further strengthen army-government and army-people unity, and carry forward the fine tradition of supporting the Army and cherishing the people. The governments at all levels should strengthen their leadership over the people's armed forces work, carry out education in national defense by the public at large, do a good job in reforming and building the militia and reserve force, consolidate and develop the army-police-people joint defense, and ensure a secure coastal defense and social stability. We should continue to do a good work in supporting the Army and giving preferential treatment to army families, settle army veterans, show concern for their lives and work, and make them play a positive role in economic construction and reform. We should bring into full play the role of the civil affairs department in helping the poor, providing disaster relief and promoting social welfare.

#### **VIII. Conscientiously Strengthen Ideological and Political Work, Continuously Promote Socialist Spiritual Civilization**

The new situation in reform and opening to the outside world has set still higher demands on ideological and political work and on the building of spiritual civilization. While sparing no efforts to grasp economic development and speed up the process of reform and opening to the outside world, we must effectively strengthen ideological and political work and promote socialist spiritual civilization, making this work complement and promote each other.

Organizing the vast number of cadres and masses to further study the documents of the 13th National Party Congress is an important task in current ideological and political work. It is a common task which should be undertaken by all departments and all trades. In studying the documents of the 13th National Party Congress and Comrade Deng Xiaoping's many speeches, we must understand that our overall aim is to further emancipate our minds, further deepen our awareness of reform and opening to the outside world, and further liberate productive forces. In studying the theory of the initial stage of socialism and the basic line, we must integrate it with practice, study the conditions of the country, the province, the city, and the county, and sum up both positive and negative historical experience, particularly the experience in continuously deepening our understanding of the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. Only by doing so can we clearly understand the correct and scientific nature of the theory of the initial stage of socialism. We must also integrate this study with our current efforts to stabilize the economy, carry out reform in depth, and develop the export-oriented economy. It is also necessary to integrate this study with investigation and practice so that everyone will deepen his awareness while implementing the party's basic line, or in other words, while "keeping to" the one central task and two basic points." In study, it is necessary to set different demands on different people at different levels. Leading cadres at and above the county level must play a model and leading role in study and in giving lectures.

In doing ideological and political work centering around reform, we must stress integrating theory with practice. We must make sure there is no mistaking what our ideological and political work is aimed at. Now that we are in the initial stage of socialism, we must foster the idea that we are building an enterprise through arduous efforts. To stabilize the economy, we must adopt a policy of retrenchment. All organizations, enterprises, and institutions must make more conscious efforts to increase production, practice economy, increase income, and cut down expenses. Carrying out deep-going economic structural reform inevitably involves the readjustment of power and interests in all departments, including some people's personal gains. Political structural reform will also inevitably involve change of certain



traditional ideas and change of functions and power of some departments and some people's positions. All of this will more or less influence people's thinking. Therefore, we must use the guidelines of the 13th National Party Congress as our guidance, do painstaking ideological and political work well so there is no mistaking what our efforts are aimed at, and guarantee the smooth implementation of reform and opening to the outside world.

An urgent task in promoting spiritual civilization is to effect a out deep-going transformation of social traditions. Currently, the three unhealthy trends of gathering for the purpose of gambling, feudalism and superstition, and going in for weddings and funerals in a big way are spreading in some parts of Zhejiang. They affect the general mood of society, social stability, and our efforts for reform and socialist modernization. They have become society's "pollution." The authorities in all localities must use every opportunity to mobilize their strength in all fields, effect close coordination, and use propaganda to create powerful public opinion in society so as to support the healthy and drive out the unhealthy by relying on the masses.

In addition, we may have the masses make pledges and set local rules and regulations for the purpose of transforming improper social traditions, or if such pledges, rules, and regulations already exist but are not appropriate, we may let the masses revise them, thus putting the activities of transforming improper social traditions under their own supervision and management. We should develop in depth campaigns for creating civilized units, civilized villages and towns, and five-good families, and continue to promote the army-people and police-people joint projects in these fields. Earnest efforts should be made to run militia homes, youth homes, and cultural centers, and attention paid to the education of youth and children. It is necessary to actively promote healthy and beneficial entertainment, sports, and popular science activities, promote the civilized and scientific way of life, and use new thought, new culture, and new standards of social conduct to replace those old traditions that reflect ignorance and backwardness and have a harmful effect.

Further efforts should be made to raise the standard of work ethics of various professions and trades. Currently there still is no improvement in the attitude and quality of service in all fields. The fundamental task in raising the standard of work ethics is to educate people. Professional training should include educating trainees to love their jobs and provide quality service to others besides teaching them professional skills. In accordance with their characteristics, all departments and units should set up their respective standards of work ethics, make them public, and accept supervision by the masses in enforcing these standards. They should make a real effort to

correct unhealthy trends and take service quality as one of the main criteria in promoting personnel and selecting advanced individuals.

Great efforts should be devoted to cultural construction. In doing research work on philosophy and social sciences, it is necessary to study the strategy of economic and social development and the reform of the political structure as major projects of research, and to try to achieve more results in research in these fields. In activities involving literature and art, journalism and publishing, radio and television, work on cultural relics and books, and mass cultural work, we should try to advance continuously in the course of reform. Good experience in reforming art groups and journalistic units should be vigorously spread. Cultural institutions at all levels should adhere to the correct orientation of serving socialism and the people, give top priority to ensuring social benefit, properly publicize the party's line, principles, and policies, promote reform work, and unite and inspire the broad masses to work together for the fulfillment of the tasks set at the 13th CPC National Congress. At the same time, it is imperative to further develop external cultural exchange, strengthen control over the cultural market, ban pornographic films and videotapes and illegal publications, and strike at such unlawful acts as digging up and stealing cultural relics and smuggling them out.

We should also further develop public health and sports activities to protect and build the people's health. Reform of the system of medical care at public expense should proceed at a quicker pace. Rural public health organs should be managed by township and town governments. Integrated medical establishments and the system of home-based care should be further developed. All medical units should implement the economic responsibility system, and all medical organs and their equipment should be used to the fullest extent. Positive efforts should be made to implement the principle of putting stress on prevention, reduce the incidence of diseases, and in particular prevent the spread of hepatitis through the adoption of effective measures. As regards sports, it is necessary to gradually build more athletic facilities, continue to deepen reform, and further promote mass sports activities. In addition, it is necessary to do well in building our athletic contingent and give full play to the strong points of our province's athletes who are good at small-scale, skilled, and light sports, including water sports and games involving mental skills. A prize fund for outstanding athletes should be established, and attention should be given to promoting and training reserve professional athletes.

Persisting in family planning and making a success of environmental protection are two tasks of importance to our economic and social development. Now that our province is in a period of peak population growth, we must take stringent measures to control the



increase in population. In this regard, emphasis should be put on controlling unplanned births. At the same time, continued efforts should be made to advocate late marriage and one child for each couple and pay attention to eugenics and child care so as to improve the quality of our population. In no way should the limit set for this year's population growth be exceeded. While developing economic construction and exploiting natural resources, we must also protect the ecological environment and make comprehensive efforts to control environmental pollution. We should pay simultaneous attention to economic, social, and environmental benefits.

Fellow deputies, this government, which was elected at the First Session of the Sixth Provincial People's Congress in 1983, has now finished its term of office. During the past 5 years, we have worked under the guidelines of the 3d Plenary Session of the 11th CPC Central Committee, implemented the resolutions adopted at the various sessions of the Provincial People's Congress, successfully fulfilled the 6th 5-Year Plan, and made a good start for implementing the 7th 5-Year Plan on the basis of the work done by the previous government. In 1987, our province's total industrial and agricultural output value and national income [GUO MIN SHOU RU 0948 3046 2392 0354] were both more than double the 1982 figures, there was a rather big growth of the commodity economy, new progress was made in all fields, and the people's material and cultural life both improved in varying degrees. On the whole, during the past 5 years Zhejiang has attained a more important position in nationwide economic development. But there still are quite a number of problems. The main problems are: We have devoted more efforts to economic construction, reform, and opening up. This is right. On the other hand, however, we have not done enough in building our spiritual civilization. With regard to economic construction, what we have done in trying to achieve a higher speed is, of course, necessary, but we have not been able to effectively control the scale of capital construction and the expansion of demand for consumption. Although we have repeatedly stressed the need to put economic construction on the track of focusing on economic benefits and relying on advances in science and technology and to change extensive operations to intensive operations, we have up to now not truly done so. In the countryside, after achieving fruitful results in the first-step reform, we once too optimistically assessed the rural situation, especially with respect to grain production, and lacked sufficient understanding of the arduous and complicated nature of the second-step reform. For a certain period, we relaxed leadership over agriculture. With regard to the implementation of the basic national policies of farmland protection, environmental protection, and family planning, there were also instances when we relaxed control and made mistakes. Moreover, the

bureaucratic style continues to exist in our government and in certain departments, and it remains rather serious in some areas of work.

From the viewpoint of government work, the past 5 years were a period when we shifted the focus of our work to developing a socialist commodity economy. It was a 5-year period in which we learned to conduct overall reform and opened up to the outside world. It was also a 5-year period in which we explored ways to advance in the course of practice, marched forward in spite of difficulties, and united to work hard. Just as it takes some time for contradictions to be fully revealed, it will require some time for us to see the facts and solve the problems. The work of reform and opening to the outside world is a new undertaking, and the development of the commodity economy can be viewed as a big school for us. The rules governing many things in this regard are still unclear to us today. What we should do is to make a correct assessment of the situation, seek truth from facts, work resolutely and indomitably, and explore new ways to advance. In order for the next government to do a still better job, we will earnestly sum up experience and draw lessons from the past, and in addition, we sincerely hope that all deputies will give valuable opinions about the work of this government. Only by drawing on collective wisdom, absorbing all useful ideas, and pooling the efforts of all people can we develop our cause in a sound way.

This year will be of crucial importance to the fulfillment of the Seventh 5-Year Plan. We are facing a very fine situation, but the tasks of reform and construction before us are still quite complicated and heavy. Guided by the spirit of the 13th CPC National Congress, let us unite more closely, take up the hard pioneering work, be industrious and thrifty in building up our country, and strive hard to win still greater new victories!

## SMALL-SCALE ENTERPRISES

### New Strategy To Increase Township Enterprise's Exports

40060110b Shanghai SHIJIE JINGJI DAO BAO in Chinese 28 Dec 87 p 2

[Article by reporter Zhu Bing [2612 0393]: "Du Runsheng Spoke At the National Conference on Township Enterprise's Tasks To Increase Exports and Earn Foreign Exchange: Increasing Exports Must Incorporate New Strategy"; first paragraph is a translation of the subtitle]

[Text] The so called new strategy is the establishment of a group of export-oriented manufacturing enterprises. This requires that we choose township enterprises as the foundation, and use our own resources to process goods for export, and we must import raw materials, and export the finished goods.

At a recent national conference on township enterprise's tasks to increase exports and earn foreign exchange, Du Runsheng, director of the State Council's Rural Development Research Center, said, "The purpose of this conference is not simply to encourage you to increase exports. This is of course part of the intent, but we must integrate this process with a new strategy. This new strategy involves the establishment of a group of export-oriented manufacturing enterprises. We choose township enterprises as the foundation, and make use of our own resources to process and export goods. We have to rely on imported raw materials, and export the finished products. Let the product of our enterprises enter world circulation, and internationalize our production process. We have the external conditions, and now we must prepare the internal conditions. The purpose of this conference is to mobilize everybody to make this preparation."

Du Runsheng said that Comrade Zhao Ziyang has pointed out repeatedly that, "the Chinese economy should not be an import-oriented economy. We must coordinate imports and exports." We must implement reform in the economic structure of our foreign trade throughout the nation, and turn the township enterprises in the coastal region into export-oriented manufacturing enterprises. They should make use of the cheap and abundant labor resource, and nurture a low-cost, high-quality labor force, and utilize the township enterprise format to produce labor-intensive goods to be traded and circulated worldwide, and give our products international characteristics. We have to import raw materials, export the finished goods, and earn income by doing processing work, so that our township enterprises can grow among world competition. The significance of this strategy lies in the integration of our policy of opening up to the outside world with making use of our labor force where we have an advantage.

Du also said that the present surplus rural labor force is hampering the development of agricultural production, and preventing the peasants from earning a higher income. Therefore, we must shift the rural labor force from the agricultural sector to the secondary and tertiary industries, and to nonagricultural sectors, especially the industrial sector. Without this strategic shift, it will be difficult to solve the problem of rural poverty, and the nation cannot prosper.

Du said that the present world economic trend indicates that all nations, socialist and capitalist, are striving to expand their market domain. They are making full use of the division of labor among nations, and giving full play to their relative advantages while minimizing their disadvantages. As a result, some small nations with scant natural resources are developing into major economic forces. Therefore, if we can coordinate our export and import elements, and make use of our low-cost labor in exchange for foreign resources, we will be able to

develop at a faster pace. We can also turn some of the township enterprises into flourishing enterprises which are competitive, invigorated, financially independent, and which seek constant technological advancement, thereby reaping the benefits of this new strategy.

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### **Township Enterprises' Potential as Exporters Discussed**

40060110a Shanghai SHIJIE JINGJI DAO BAO in Chinese 28 Dec 87 p 2

[Article by reporter Zhu Bing [2612 0393]: "Township Enterprises Have Tremendous Potential To Increase Exports"; first paragraph is a synopsis]

[Text] In 9 years, township enterprises have grown into a force to be reckoned with. They have developed at a steady rate of more than 20 percent a year, and have become an important part of our national economy. Facts prove that developing township enterprises has important strategic impact on invigorating the rural economy and promoting economic prosperity nationwide.

This reporter has learned from informed sources that in the wake of the intensified urban and rural reforms, township enterprises in this country have become a force to be reckoned with. Their achievements have been spectacular. For the past 9 years, they have grown at a steady rate of more than 20 percent a year, and have become an important part of the national economy. In 1986, the number of township enterprises has grown to more than 15 million nationwide. They employed 80 million people, and their total output value topped 354 billion yuan, which equalled 19 percent of society's total output value, 23 percent of the GVIO, or 48 percent of the total rural output value. They have become one of the major financial sources supporting our socialist industrialization and the modernization of agriculture. This proves that developing township enterprises has major strategic impact on invigorating our rural economy and promoting economic prosperity nationwide.

Recently during his visit to the south, Comrade Zhao Ziyang issued an important directive on the course for developing the coastal region, especially the Changjiang and Zhujiang deltas. He pointed out that it is entirely possible that in the future coastal China will base its economy on township enterprises which rely on low-cost labor to produce labor-intensive type products, and capture the world market. The coastal region is only the beginning, and in the future township enterprises could possibly account for the major share of the nation's total exports. This directive contains profound analyses of the advantages township enterprises enjoy as exporters earning foreign exchange, as well as the course they henceforth should follow.

The greatest resource of our rural areas is the labor force. The advantage of a low-cost labor force is the underlying strength of township enterprises as exporters earning foreign exchange. Within the foreseeable future, labor-intensive type products will remain our most competitive and most promising products. The correct strategy for developing township enterprises would be to take advantage of the huge labor force to develop export goods, and use imports to support exports. We must integrate the process of developing agricultural products for export with the modernization of the agricultural sector. If two-thirds of the rural population turns to the secondary and tertiary industries, our agricultural sector will be invigorated, and will benefit from this shift, and the rural areas will prosper, and our economy will grow even faster.

The coastal region, especially the two deltas, is characterized by over-population and lack of material resources, but these conditions suit the structure of the processing industry. The term "the two ends lie abroad" means that raw materials must come from abroad, and the final products are destined abroad. That means, in order to make this area's economy grow, we must turn to the broad world market, and develop an export-oriented economy. We must participate in international exchange, and compete overseas. This strategy not only will benefit the two deltas but will expedite the economic development of the whole country.

The coastal region and the two deltas lead the rest of the country in economic development. They are one step ahead of the hinterland in industrialization and urbanization. A substantial portion of their agricultural labor force has left the farm to join the secondary and tertiary industries. Furthermore, township enterprises in these areas had a head start; they have developed rapidly, and have great strength. They have already become the region's economic mainstay. Township enterprises are more flexible and more competitive. They are especially adept in meeting the needs of the export trade which requires product variety, low volume, and quick delivery. They are more able to cope with the complicated world market. They have tremendous potential in increasing exports. We must extend vigorous support so that they can develop into a vital new contingent of exporters capable of earning foreign exchange.

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## FOREIGN TRADE, INVESTMENT

**Fujian Triples Volume of Electronic Exports**  
40060153 Fuzhou FUJIAN RIBAO in Chinese  
4 Jan 88 p 2

[Text] Fujian has already begun to show signs of success in developing its economy's external orientation. During the first 11 months of 1987, Fujian exported triple the volume of electronics products that it had exported in 1986. In 1987, over 10 of Fujian's 30 newly developed

export products successively met the U.S.'s UL, Canada's CSA, and England's BS safety standards. Fujian has six joint venture electronics enterprises designated by the provincial government as foreign exchange-earning export enterprises. The combined export earnings of the Fujian-Hitachi Television Co Ltd. and the Xiamen Overseas Chinese Electronics Co Ltd. accounted for 51.4 percent of the province's total export earnings. Some 99.8 percent of the electronic components produced by the Fuzhou Induction Components Joint Venture Company were sold in Hong Kong and Southeast Asian markets. The Hongtai Development Company in Xiamen set up by Hong Kong's Xinggan Industrial Co currently produces a total of 3,500 different daily use items such as computers, telephones, tape-recorders, touch-tone telephones, computer games, etc., destined for sale in the U.S. and Western Europe. Electronics enterprises in China's hinterland are also showing signs of promise in developing their own economies' external orientation. The Xiapu Electronics Instruments factory has already sold over 10,000 items of its principle product, the electronic acupuncture/moxibustion massage machine, in 12 different overseas locations.

## ECONOMIC ZONES

**Hainan Adopts 'Proven Methods' To Develop SEZ**

40060087 Shanghai SHIJIE JINGJI DAOBAO in Chinese 7 Dec 87 p 3

[Report from Haikou dated 1 December by reporter Gu Weiping [7357 5898 1627]: "Hainan Adopts Internationally Proven Methods to Develop Its SEZ"]

[Text] As Hainan is stepping up its preparations to engage in projects of construction, the reporter called on several departments of the people's government and the Communist Party Committee of the Hainan Administrative District to find out what plans are being made to reform its economic and political systems and to implement a policy that is even more special and open than other SEZ's with a view of making it the largest SEZ in the nation.

The decision to establish Hainan as a province was made following careful consideration by the central government. According to a responsible source at the State Council, the extra special policy that has been adopted for Hainan may be seen from the fact that all applicable methods which have been proven effective internationally, including those which have not previously been tested and adopted by other SEZ's, will be adopted in Hainan and that methods which have yet to be proven effective will be put to the test on the island. It has been learned that consideration is currently being given to the adoption of the following major policies:

—The export of commodities produced in Hainan will not be subject to quota restrictions imposed by the state.

—There is to be a free flow of import and export commodities, the entry and exit of visitors from other areas and the import and export of funds.

—A new banking system is to be established. There is to be a free flow of funds among the specialized banks which are also to be permitted to engage in similar operations. A foreign exchange adjustment center is to be established. The SEZ is to be permitted to issue stocks and bonds and to contract foreign credit loans. Local banks and local trust and investment banks are to be established when the time is ripe.

—Hainan is to be paid a fixed subsidy. The projects and investments engaged in and the raw materials supplied by Guangdong Province to Hainan are to remain unchanged. The enterprises set up in Hainan by the central government and Guangdong Province are, as a matter of principle, to be put under the administration of the island.

—The policy of the transfer of land at a price is to be adopted. The right to the use of all the land on the island may be transferred at a price. Land may be rented or mortgaged. Foreign conglomerates and companies are to be permitted to contract for undertaking development projects for a period of 50 or more years and to contract for taking over the operations of certain state and collective enterprises.

—Hainan is to be given a large measure of power for granting approval to the undertaking of all projects except those which must be reported to and approved by the state so that an overall balance may be achieved.

—Hainan is to be given the power to advertise for and to hire expert personnel, including those from Hong Kong and other overseas areas.

It is the belief of the authorities in Hainan that the economic construction of the island calls for the development of its advantageous position to import foreign capital and technology and to transform its industries from the labor-intensive type to that characterized by intensive know-how if an export-oriented economic structure with special features of the island is to be gradually established. Efforts are to be made to achieve a relatively well-off standard of living 5 years ahead of the rest of the nation by 1995, that is, the achievement of the average per capita income of \$800. During the next 8 years, plans are to be made for the first 3 years and the next 5 years. It is only by improving such basic facilities as energy resources, transportation, telecommunication, and water resources so as to offer a favorable investment climate in the first 3 years and by engaging vigorously in their development in the following 5 years that it is possible to achieve the relatively well-off standard of living. To that end, it is necessary for Hainan to make full use of the following advantages:

1. Hainan must take full advantage of the special policy for the island adopted by the central government and make use of it in a flexible manner to develop to the fullest extent the advantages of its software.

2. Hainan must develop as soon as possible its abundant mineral resources and its rich petroleum and natural gas reserves and establish a base for its petrochemical industry. Many high-quality mineral products must be intensively processed to enhance their value.

3. Hainan must take advantage of its abundant tropical agricultural products and ocean resources to establish a base for the processing of tropical cash crops, marine products, and foodstuffs.

4. Hainan must develop its tourist industry and become "The Hawaii of the Orient" so as to make the tourist trade one of its major economic mainstays.

5. Hainan must take advantage of the many overseas Chinese among its population to enlist the support of their compatriots in Hong Kong, Macao, and Taiwan as well as their countrymen overseas in investing in the development of the island.

It has been learned by the reporter that the preparatory committee in Hainan is currently engaged in four areas of work centered around the spirit and principle of "making Hainan more special than other SEZ's," namely, the formulation and presentation of a program setting forth the scope of the preferential policy for Hainan for the consideration of the central government, the training of leadership personnel for the provincial government and the Communist Party Committee after Hainan has been established as a province, the vigorous reform of the economic and political systems and the formulation of an overall program for the development and construction of the island.

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## AGRICULTURE

### Relationship Between Agriculture, Industry Discussed

40060114 Shanghai SHIJIE JINGJI DAOBAO in Chinese 11 Jan 88 p 7

[Article by Huang Qinghe [7806 7230 4421], Wang Chengde [3769 6134 1795], He Daofeng [0149 6670 1496], Rural Development Research Center of the State Council: "The Relationship Between Agriculture and Industry in China's Economic Development: Economic Growth and Structural Change;" first paragraph of text is source-supplied introduction]

[Text] In the development of agriculture and modern industry, some economists emphasize industry's stress and impact on agriculture, while others emphasize agriculture's support and assistance of industry. Regardless

of which view is correct, agriculture and modern industry condition and affect one another. What we seek to explain here is the interrelationship and mutual impact of agriculture and industry as China builds modern industry, along with the many significant and insignificant, beneficial and harmful influences of this relationship on all economic development.

### **China's Economic Growth and the Structural Change from "Agriculture to Modern Industry"**

Prior to rural economic reform, China's accumulation of agricultural surplus and of industrial investment system were characterized as follows: 1) The peasants' accumulation through nonagricultural activity and investment of agricultural surpluses in nonagricultural industry was restricted; there was no state accumulation in the form of land taxes, and monopoly purchasing and marketing by the state was the primary means by which virtually all agricultural surpluses were covertly channeled into the industrial and commercial sectors, and their profits were handed over to the state for accumulation. 2) Basically the state had a monopoly over industrial and commercial investment, with state ownership of enterprises coinciding completely with operating authority and with the state having control over enterprise income and expenditure. 3) The state chose an investment strategy that gave priority to developing heavy industry; the industrial technology thus defined was capital-intensive. Such a strategy, so clearly at odds with a situation in which the supply and demand of key factors is characterized by a large surplus labor force and a severe shortage of capital, was able to be carried out over a long period of time due to the absence of the controls and corrections of a market for key factors.

This strategy of emphasizing heavy industry, together with the impossibility of defining the technological level of industrial investment by a key-factor market, meant that industrial formation broke free of the shackles of the conditions of surplus labor and capital shortages and developed arbitrarily toward the capital-intensive model, creating a deformed structure in which shortages of funds replaced and eliminated employment for surplus labor. In China, the fixed capital occupied by each worker is four times greater than in the typical low-income country and approaches that of medium-income countries. The ratio of liquid capital to fixed capital is approximately 50 percent, far higher than the 15 percent in most countries. Viewed together, these figures mean that the capital equipment level of each Chinese worker is more than five times the capital equipment rate of workers in similar low-income countries. Because there was an inadequate separation and division of labor, and a dominant industry making full use of the international market could not be fully formed, the development strategy emphasizing heavy industry weakened the dominant industry's impact on complementary industry and the service industry.

The low efficiency and excessively high capital equipment rate of industrial investment squeezed out and substituted modern job opportunities, so that the shift in surplus agricultural labor could not be made proportionate to the flow of agricultural capital into industrial production, thereby forcing too many people to remain stuck in farming. The portion of national income from agriculture dropped from 67.4 percent in 1950 to 35.4 percent in 1978, while the portion of the labor force in agriculture dropped from 88 percent to only 76.1 percent. Obviously, these changes in structure of the proportions of national income and employment from agriculture are severely unbalanced. Second, the immobility of agricultural employment and population increases the gap in marginal benefits from agricultural and nonagricultural employment, with the supply of nonagricultural employment far exceeding demand. The system of household registration has also played a role in blocking the shift of the agricultural labor force into nonagriculture, forming a mutually exclusive binary system between city and country. Furthermore, with the total population swelling, the immobility of agricultural employment and population tightens the relationship between people and natural resources. The amount of land cultivated by each farm household has declined from 1.4 hectares in 1946 to less than 0.6 hectares. Since the tightening people-land relationship forces people to extract more from nature, some areas have fallen into a vicious cycle of poverty and ecological deterioration; it has also meant that the agricultural population's surplus income could not grow, with the average amount of grain sold by the agricultural population declining by 21 percent from 1952 to 1978, and edible oils declining by 36 percent. Even though the purchase-price index for agricultural and sideline products rose 117 percent, income from agricultural products sold by each farmer was only 66.9 yuan, an increase of 132 percent over the 29 yuan in 1952, and only slightly above the rise in the purchase-price index for agricultural and sideline products. In addition, the stagnant per capita agricultural cash surplus makes it difficult to expand the very limited rural consumer market, and outmoded forms of peasant consumption remain virtually unaffected and are not replaced by modern modes of consumption. Using comparable parameters, in 1952, 87.5 percent of the village population accounted for 52.2 percent of total retail sales of consumer goods; in 1978, when the proportion of retail sales of consumer goods accounted for by 82.1 percent of the village population dropped to 40.8 percent, it was difficult for the limited per capita material surplus among peasants to support the rapid growth of modern industry. In the cities, there were shortages of nonstaple foodstuffs and agricultural raw materials for a long period of time. Finally, in order to sustain and promote the empty profits produced by modern urban industry relying on low-cost or even free agricultural raw materials and other key factors, it was necessary to continue reinforcing accumulation through monopoly purchase and marketing. At the purchase end, however, this type of accumulation reinforces the administrative

function of production brigades and restricts the freedom of peasants to choose their profession, thereby leading to lower efficiency in the utilization of agricultural resources. At the marketing end, it constantly reinforces the form of enterprise operations in which the state controls income and expenditure and reinforces the development strategy emphasizing heavy industry, thereby producing a capital-intensive industrial structure that has a low capital output rate and squeezes out employment, and this type of industrial structure bears no relation to ultimate consumer demand, so that it can rely only on its own expansion to create its own demand. Thus, the expansion of modern industrial capital and the de-agriculturalization of agricultural employment is dynamically separated into two unrelated processes. The expansion of modern industry is not restricted by the conflict in supply and demand of resources and key factors, namely surplus agricultural labor and shortages of capital; at the same time as modern industry is expanding, this creates a sort of uncoordinated structural change in which agricultural labor and population remain stuck in farming, and the entire economy goes into a binary cycle in which modern industry continues to be sustained by means of exchange at unequal prices with agriculture, while agriculture is sustained by plundering land and nature.

#### **China's Rural Economic Reforms and Changes in the Relationship Between Agriculture and Industry**

In 1979, China undertook the first reforms of the rural economic system. Rural economic reform included three principal areas: 1) Implementation of an output contract system, with restructuring of the agricultural production micro-economic organization. 2) Creation of a peasant nonagricultural investment entity to allow peasants to convert agricultural surpluses into industrial and commercial accumulation through their own investment. 3) Partial creation of product markets between the industrial and agricultural sectors, equalizing urban-rural exchange by raising purchase prices and gradually eliminating the state monopoly over purchase and marketing.

Restructuring and renewal of the rural production microorganism have established the economic position of peasant households as prime beneficiaries and prime operators. Spurred on by their desires for self-sufficiency and profit, agricultural households quickly readjusted the deployment of resources on their small plots of land; the increase in labor input and inputs of other key material factors, plus improved management, led to a rapid improvement in resource deployment on small plots of land, thus causing grain output per hectare of tilled land to rise from 2,528 kg in 1978 to 3,608 kg in 1984, with cotton production rising from 443 kg to 904 kg during the same period. The rapid increase in the productivity of the land caused a rapid increase in agricultural material surpluses per capita; in 1984, sales of grain, cotton, and edible oils per agricultural household increased 125.7 percent, 111.5 percent, and 176 percent, respectively, over 1978.

The establishment of peasants as prime nonagricultural investors created a latent rural nonagricultural investment market and expanded the space in which agricultural surplus could generate industrial and commercial capital. The marginal productive forces and the marginal production of the labor force of the industrial and commercial investment departments, with their relatively high level of capital, led to a large influx of agricultural surpluses and labor. Because of the existence of a latent rural market for key factors, the technical level of rural industrial and commercial investment was defined through the interaction of prices for key factors and the marginal productive forces of key factors; labor-intensive industry with its low level of capital equipment immediately became a salient characteristic of township enterprise investment. At the same time, township enterprises are also characterized by the integration of responsibility for risk, decision-making, and decision-making compensation, with enterprises participating in equal competition in the rural investment market. The establishment of township enterprises—a form of capital generation—and an investment system gave it a great deal of vigor. Between 1978 and 1986, at least 180 billion yuan in investment was shifted from agriculture to rural nonagricultural industry; of this, 90 billion yuan went to form fixed assets, and 90 billion yuan went for liquid assets. This capital was invested in low-technology industry, creating industry that was not very capital-intensive and very labor-intensive, with one-sixth the capital equipment rate of state-run enterprises (data from township and village enterprises), taking in surplus agricultural labor; including individual industrial and commercial entrepreneurs and small-scale joint enterprises, township enterprises and other rural nonagricultural industry have separated 79 million agricultural workers from their traditional farm work. If we subtract the 22 million already employed in nonagricultural jobs in commune and brigade enterprises in 1978, 57 million nonagricultural jobs were added in eight years, corresponding to 70 percent of the number hired by all units under ownership by the whole people from 1952 through 1986.

The rise of the township enterprises and the large number of nonagricultural jobs created for the agricultural labor force on the one hand reduced the population dependent on the land for their income, eased the relationship between peasants and the land, and thereby facilitated further increases in rural agricultural material surpluses per capita; on the other hand, this also increased market demand for agricultural products and paved the way for an expansion of agricultural cash surpluses. More important, the industry created by township enterprises is directly related to ultimate social demand. At the same time as it satisfies consumer demand at different income levels, and especially at the village income level, it accumulates capital and technology. This created an "intermediary" industry between the original heavy-industry structure and ultimate consumer demand, which rectified the entire unbalanced industrial structure.

In 1979, the significant increase in purchase prices for agricultural staples and the inclusion of some agricultural and sideline products in market pricing weakened the income redistribution function of the state monopoly on purchase and marketing, and the agricultural-industrial exchange of agricultural products took a step toward equalization.

In the dynamic process of economic growth, agriculture and modern industry are interacting in a new way. First, net peasant income per capita shot up from 133 yuan in 1978 to 424 yuan in 1986; the increase in material surpluses implied in this increase effectively supported the demand of nonagricultural industry for foodstuffs and raw materials, while the increase in cash surpluses also opened up the products and services markets for nonagricultural industry. In 1978, 82.1 percent of the village population accounted for 40.8 percent of retail sales of consumer goods; in 1985, nearly 70 percent of the village population accounted for 53 percent of retail sales of consumer goods. Second, the rapid absorption of workers by nonagricultural industry achieved a preliminary correction of the severely unbalanced economic structure in which employment structure is moving away from agriculture and capital is shifting toward nonagricultural industry. Between 1950 and 1978, agriculture's nominal share of national income dropped from 67.4 percent to 35.4 percent, while agriculture's share of employment dropped only from 88 percent to 76.1 percent. From 1978 to 1986, agriculture's share of national income, calculated according to comparable parameters, rose from 35.4 percent to 37 percent, while agriculture's actual share of employment dropped from 76.1 percent to 60 percent. Obviously, there was some alleviation in the immobility of the agricultural labor force in tilling the land, and there was some correction of the severely unbalanced economic structure. Because of this structural correction, the binary cycle between agriculture and modern industry began to fall apart, and a felicitous situation of interflow and mutual promotion occurred.

#### **International Comparison of the Agriculture-Industry Relationship in China's Process of Economic Growth**

The experience of most advanced countries demonstrates that whether the agriculture-industry structure can manage a coordinated response to the process of overall economic growth is the key to economic modernization.

The problem now is that accumulation under the state monopoly over purchase and marketing of agricultural products cannot be completely abandoned in the near future, and the urban-rural flow is still not entirely open. Therefore, agriculture remains in an unfavorable situation of unequal exchange between cities and countryside. If we continue with this form of accumulation, the relationship between urban state-owned enterprises and agriculture must return to the old vortex which relied on a covert transfer of agricultural income to sustain it, and

which forced the imposition of something of a blockade between cities and countryside in order to ensure that the hidden income shifted away from agriculture is not freely swallowed up by the urban population. More important, a continued urban-rural blockade will pose insurmountable difficulties for further development of township enterprises and for the unification of industry. In recent years the many fairly large-scale township enterprises with good results that have sprung up have already created a demand for greater spatial concentration of industry and for an expansion of scale; absorption of these enterprises through urbanization has turned them into an even larger industrial bloc that exploits the economic benefits of grouping together and creating a dominant industry, thereby generating a greater chain reaction that pushes rural township enterprises to supplement one another and develop. In terms of a country like China, in which the lower limits of its total labor force have already been defined, and in which population and employment will peak at the end of this century and towards the middle of the next, it is obviously especially important to open up contacts between the cities and the countryside. Therefore, the key to promoting a more benign cycle between "agriculture" and "modern industry," overall economic growth, and coordinated structural changes lies in pushing reforms, developing an agricultural-industrial product market and an urban-rural labor market, a money market, a land market, and so on, and promoting equalization of exchange between industrial and agricultural products and equalization of urban-rural investment and employment.

13322

#### **Long-Term Grain Production Analyzed**

40060085 Beijing ZHONGGUO NONGYE KEXUE  
[SCIENTIA AGRICULTURA SINICA] in Chinese  
No 5, 1987 pp 1-5

[Article by the Chinese Academy of Agricultural Sciences: "Analyses on Long-Term Development of Grain Production in China"]

[Text] To attain the goal of a relatively comfortable living standard for its people by the end of the century, China must maintain a steady growth in grain production, achieve a basic balance between total supply and total demand of agricultural products, and, in the process, increase meat production at a rather fast pace.

#### **Demand Projections**

By the end of the century, with its economic goals achieved, China will have a much higher national income, which will surely bring on greater demands for feed grain to raise more livestock and improve the people's diet. The living standard will go through a transition period, from that of a developing country to that of a moderately developed country, and reach a fairly comfortable level.



1. In the year 2000, China's per capita grain demand will increase to 80 to 850 jin, about the same as the 1985 level of world's per capita grain consumption, and its total grain demand will rise to 994.6 billion to 1.05 trillion jin. Its projected demand for meat by the end of the century will also come close to the present level of the world's per capita meat consumption. The 850 jin per capita grain demand, of which 460 jin will be used for food, 2150 jin for animal feed, and 140 jin for other purposes, will be barely enough to fit the diet pattern in 2000. According to the diet plan projected for the end of the century, every 1-percent increase of the population in 2000 will cause a 0.83-percent, or 8-billion-jin, increase in grain consumption. In 1982, the per capita grain consumption in 46 Chinese cities already exceeded 800 jin, and in 1983, the per capita grain consumption exceeded 830 jin in five provinces including Heilongjiang, Jilin, Jiangsu, Zhejiang, and Hunan, but the meat consumption levels in all these places still fell short of earlier estimates. In 1983, the per capita grain consumption in the three municipalities of Beijing, Tianjin, and Shanghai came to about 900 jin, of which about 34 percent was for animal feed. In China, grain refers not only to cereal crops, but to tuber crops and soybeans. Moreover, 95 percent of animal feed comes from the rural areas and depends heavily on the supply of feed grain and other protein fodder crops. Grain holds the key to improving the people's diet.

2. When people have more money to spend, they will want to spend more on food. By the year 2000, the per capita national income will rise to 1,200 yuan (based on 1980 constant prices). It is reasonable to assume that an individual will have 804 yuan at his disposal, out of which about 390 yuan (or 30 percent of total income) will be spent on food. The amount spent on food will represent a smaller percentage of the individual's total disposable income, 49 percent as compared with 53 percent in 1985, but it will be a big increase in real value.

3. The major change in the people's diet in the next 13 years will be a gradual increase in meat consumption. As shown by the second nationwide nutrition survey in 1982, the per capital daily food intake contained 2,485 calories of heat energy and 67 grams of protein, matching the standard of the moderately high-income countries. But meat consumption was still at the level of the low-income countries. Therefore, our main objective in improving the quality of the people's food is to increase the proportion of animal protein in their diet, from the present 12 percent to about 22 percent by the end of the century. The per capita annual requirement of major food items (based on 1.25 billion people from here on) will be roughly 460 jin of food grain, 50 jin of meat, 25 jin of eggs, 40 jin of milk, and 30 jin of aquatic products, a relatively good combination and a step forward toward a more scientific and nutritious diet, though still behind the more ideal Japanese diet which is a combination of East and West (containing nearly 50 percent animal protein).

4. Future increase in demands for grain will be mainly for animal feed. The problem of food and clothing has been solved in most areas, and the demand for food grain is basically met. Though meat consumption is on the rise, it is still far from becoming an important part of the diet. Therefore, while insuring enough grain for food, industrial, and other purposes, the emphasis should be placed on increasing the quantity of grain used for animal feed. According to an analysis, animal feed accounts for more than 60 percent of the total grain consumption in the developed countries in Europe and America, only about 15 percent in the developing countries in Asia, and more than 40 percent in Japan. To improve the people's diet, China must increase the supply of feed grain. The ratio between grain for food, feed, and other purposes (including grain for the food-processing industry, seeds, and reserves) will be gradually readjusted from 7:2:1 in 1980 to 5:3:2 by the end of the century. The demand for feed grain will increase from the present 170 billion jin to 300 to 370 billion jin, or about 30 percent of total demand. This is the general trend of the changing pattern of future grain demands.

5. Another important way to improve the people's diet is to develop the food-processing industry. By 2000, the food-processing industry will need 86 billion jin of grain a year, or 72 jin per capita. With adequate food-processing capacity, the per capita consumption of cakes and pastries will reach 17 to 20 jin, about 50 percent more than the per capita consumption by families of the highest-paid workers and staff members in 1982. The per capita consumption of alcoholic beverages will reach 29 to 35 jin in 2000, much higher than the per capita consumption by families of the highest-paid urban workers and staff members in 1985.

6. The differences in people's consumption level and buying power will remain quite obvious from region to region, and the gaps may even widen. According to an analysis of six agricultural regions, the per capita consumption of meat, eggs, and fish combined may reach 145 jin and 131 jin, respectively, in the south region and the middle and lower Changjiang Valley, 100 jin in the northeast region, and just 67, 55, and 68 jin, respectively, in the north, northwest, and southwest regions. The per capita consumption of rice and flour in the three northern regions will be just about half that in the three southern regions. Regional differences in the consumption of the common kinds of vegetables will be narrowed, and the consumption of better and more expensive vegetables will increase sharply. The people's buying power will increase more rapidly in the middle and lower Changjiang valley and the south and northeast regions, surpassing the other three regions by more than 30 percent. More agricultural products will be sold in the markets. However, due to limited means of circulation and uneven regional economic development, major grain crops and animal products will for the most part continue to be marketed for local consumption, and interregional circulation will remain supplementary.



### Production Level

By the end of the century, the total output of major agricultural products will be roughly enough to meet social improvement needs, and some superior farm products will be exported in growing quantities. Exploitation of agricultural resources and land productivity will rise to a new level.

7. Grain production will continue to have an important bearing on China's economic growth. An input-output analysis shows that our total grain output can reach 986 billion to 1.054 trillion jin in 2000. In the past 30 years and more, our total grain output has increased at an average annual rate of 2.5 percent. There were periods when the growth rate exceeded 5 percent and also 10 years of decline and stagnation. The present output base is rather high, but with coordinated policies and appropriate input (including scientific and technological advances), it is possible to increase grain output at an average annual rate of more than 2 percent, which is more than double the population growth rate, and thus insure a fairly high rate of increase in livestock production.

8. The fundamental way to increase grain output is to improve land productivity. At an average annual increase of 10 jin, per grain output per mu can be raised to about 630 jin in 2000. Major policy breakthroughs, significant material input, and tapping of potential capacities brought about the 1978 to 1984 period of rapid growth, during which grain yield per mu increased by an average of 24 jin per year. Between 1949 and 1984, despite all the setbacks, the average grain output per mu still increased by 9.8 in each year, which can be used as a reliable basis. Judging by projections on chemical fertilizer, irrigated area, power of agricultural machinery, agricultural investment, etc., the goal is attainable by keep yield per mu increasing at an average rate of 10 jin per year. Jiangsu, Zhejiang, Shanghai, and Hunan in the south and more than 20 high-yield counties in the northern provinces of Hebei, Shandong, Henan, and Liaoning have increased yield per mu from some 360 jin to more than 600 jin in just 10 odd years. These areas production conditions can be matched by their neighboring areas by the end of the century. Moreover, analyses on China's high-, intermediate-, and low-yield regions also indicate that it is possible to increase grain output by an average of 10 jin per mu per year. The United States with plenty of arable land increased yield per mu by an average of more than 10.3 jin per year between 1970 and 1981. It also took only 10 years for Japan and France to increase yield per mu from some 360 jin to 600 jin, an average increase of more than 20 jin per year. The actual area of arable land in China is one-third larger than the statistical area, and the actual yield per mu is at least 100 jin lower than the statistical yield per mu. This means that the land still has a lot of untapped potential for higher yield.

9. Grain acreage should not be allowed to fall under 1.6 billion mu. Excessive reduction in acreage can only cause the need for more material input with poorer results. There are two possible courses to follow. The first is to make up for the loss of farmland by bringing an equal area of undeveloped land under cultivation, restore the multiple-crop index to 155 percent, maintain the total area of cultivated land at 2.3 billion mu, and restore the total grain acreage to 1.7 billion mu with a yield per mu of about 600 jin. to do this, it is necessary to strictly control the annexation of farmland and develop intercropping, interplanting, and multiple-cropping techniques. The second is to allow a net reduction of total cultivated area by 100 million mu, and reduce grain acreage to 1.6 billion mu. To offset the effect of the lost acreage on total yield, it is necessary to raise yield per mu to more than 630 jin. On the question of total cultivated areas, consideration must also be given to the tens of millions of mu of farmland on slopes of 25 degrees, or more, which should be restored to grazing or forest land. Only by continued strict control of cultivated land, appropriate expansion of farming scale, and broader application of intensive farming, will it be possible to achieve the projected production goals.

10. Future increases in grain output will be used mainly for feed. The traditional pattern of crop farming with emphasis on food and industrial crops will gradually evolve into a new pattern of food, feed, and industrial crop production which is characterized by mutually supporting crop farming and stock raising. By the end of the century, more than 300 billion jin of grain each year, the output of more than 500 million mu of grain fields, will be used for animal feed. These are considerable figures. It is not economical to use food grain directly as feed. With the development of the commodity economy and the infrastructure, more and more food crops will be replaced by feed crops. It is possible to make the following changes gradually: First, in the rice-growing regions in southern China, more than 30 million mu of suitable land can be converted to intercrop corn and soybeans, or other high-quality and high-yield feed crops, or high-yield feed rice. At the same time, more than 30 million mu of suitable land in northern China should be converted to rice-growing. Second, some core fields can be gradually converted to silage corn. Third, some corn and sorghum can be intercropped with leguminous crops to be harvested at different times to expand the source of protein feed. Fourth, the growing of green manure (including special-purpose and dual-purpose green manure crops) can be expanded to 150 million mu, and a part of the green manure can be used as feed and returned to the land as droppings. Fifth, about 30 million mu of high-yield tubercrops can be turned into feed. Thus a production system of various types of feed can be formed gradually.

11. Demands for meat and animal products will be basically met. The output of meat, eggs, milk, and aquatic products will reach 60 billion, 30 billion, 50 billion, and 36 billion jin, respectively, and 95 percent of

these will continue to be produced in the rural areas and dependent on the supply of protein feed. By the end of the century, feed grain, bran, soybean cakes, fodder crops, and green manure will provide a total of 520 to 590 billion jin of concentrated feed; forage grass, straw, stalks, etc., will provide 1.4 to 1.9 trillion jin of coarse fodder; and there will also be 1.5 to 2 trillion jin of green feed. However, the key problem is the rather serious shortage in protein feed. It is therefore necessary to strictly protect protein sources, reduce and even stop the export of soybean cakes, and so forth, and, at the same time, find other sources of protein feed, such as developing unicellular protein feed, using insects and other small animals as protein feed, exploring high-protein wild plant resources, making use of leftover bits and pieces from meat processing, and so forth. It is also necessary to increase production of urea, amino acid, and other feed additives to enhance the nutritious value of feed and produce better results.

12. Major food and oil products from woody plants will continue to be just a supplementary part in people's diet. For many years the per capita consumption of oil products from woody plants, mainly teaseed oil, has stood at 0.3 jin. The per capita consumption of food crops from wood plants, mainly chestnuts, dates, and persimmons, is just 0.9 jin. Although woody plant resources are abundant, they are widely scattered and poorly managed, and yield per mu is very low. By the end of the century, production could more than quadruple, and more ambitious plans call for per capita output of oil from woody plants to rise to near 1.9 jin, and food from woody plants to 12.9 jin, which are still quite low, and a considerable part of which will be for export. So the actual consumption at home will remain low.

13. Interregional imbalances between supply and demand will continue to exist, and uneven distribution of grain varieties will also remain. A rational regional structure of grain production will still be difficult to achieve. By the end of the century, it may be possible to have 10 to 12 billion jin of grain shipped out from the northeast region, and 2 billion jin from the middle and lower Changjiang valley, while the south and northwest regions will need to bring in 3.4 billion and 2.4 billion jin of grain, respectively. Nationwide, a basic balance between grain supply and demand may be achieved. An imbalance in grain varieties may occur between northern and southern China. Unless adjustments are made in good time, there will be a huge surplus of corn in the northeast and north regions, but a serious shortage in the south region and the middle and lower Changjiang valley, and there will be a surplus of rice in southern China.

#### Major Measures

To achieve the goals mentioned above, efforts should be made to develop the commodity economy and adopt relevant and coordinated economic, technological, and administrative measures to integrate market regulation

with regulation through planning and to coordinate and balance the production, distribution, circulation, and consumption of grain and animal products.

14. The material foundation for sustained growth in food production lies in increased material input. To achieve the goals set for grain and livestock production by the end of the century, the land will require the input of more than 48 million tons of fertilizers (available components), roughly one-half organic and one-half inorganic. Chemical fertilizer application should be increased to 120-150 million tons, and the nitrogen-phosphorus-potassium ratios should be readjusted gradually from the present 1:0.3:0.05 to a more reasonable 1:0.6:0.2. The area of farmland under effective irrigation should be expanded to 800 million mu, and the emphasis should be placed on ancillary projects to help bring into play the potential capacities of the existing irrigation facilities. The total power of agricultural machinery should increase to 450 million hp, and existing machinery and equipment should be gradually updated and supplemented. The use of highly effective, low-toxin, and low-residual agricultural chemicals should increase 210,000 tons, and the ratios between pesticide, bactericide, and herbicide should be readjusted to 6:2:2. At the same time, it is also necessary to make appropriate and efficient use of energy.

15. It is necessary to rely on science and technology [S&T] to raise the utilization rate of the material input. Results of scientific research and modern technology have shown that it is possible to raise the utilization rate of chemical fertilizers from the present 30 percent to about 40 percent, equivalent to increasing fertilizer application by nearly one-third. Needed are the production of highly effective fertilizers and advanced facilities, equipment, and technology. If the utilization rate of irrigation water can be raised from 35 percent to 45 percent, it is equivalent to increasing the quantity of irrigation water by nearly 30 percent. Needed are lead-proof ditches, good irrigation systems and equipment, and periodicals and measured irrigation methods. Increased fertilizer and water utilization rates not only will reduce the material and energy input for grain production, but will promote the development of grain-related technologies.

16. Grain output can be increased by popularizing the use of applicable technologies. At least 10 applicable S&T achievements should be widely popularized: the integrated cultivation technique for stable and high yield of grain in different regions; the combined use of superior and hybrid grain varieties; the technique to increase grain yield by application of mixed fertilizers; the irrigation technique to save water while increasing yield; the dryland grain cultivation and soil moisture preservation technique; the integrated technique for the prevention and control of plant diseases, insect pests, weeds, and rodents; and low-yield grain field improvement technique; the cultivation technique; and various forms of multiple-cropping techniques. applied in a coordinated

way and in line with local conditions, these techniques will help produce more grain. In pursuing advanced techniques for grain production, we should focus on techniques which can produce high and stable yields of superior grain efficiently and at low cost and speed up the technological transformation of grain production by combining China's traditional ways with modern techniques and extending the use of existing techniques while introducing, assimilating, and applying advanced foreign technology.

17. The state should provide at least 10 percent of the funds for farmland capital construction, which is essential for the steady increase of grain production. More than 80 percent of China's farmland issued for grain and livestock production, and the production level depends heavily on farmland capital construction. To achieve the goal set for grain production, an estimated investment of 1 trillion yuan will be needed, of which 70 percent will be raised by the peasants themselves, 20 percent will come from town and township enterprises as agricultural subsidies and grain production loans, and the remaining 10 percent will have to be provided by the state to be used on large-scale agricultural construction projects.

18. An important way to increase commodity grain production is for the state and the localities to build commodity grain production bases jointly and in a planned way. The grain production bases should be rationally distributed among the different regions. While it is necessary to pay attention to both the major and ordinary production areas and help the grain-deficient provinces and autonomous regions build their grain-production bases, the emphasis must be placed on the medium- and low-yield areas in the grain-rich provinces and autonomous regions. Consideration must also be given to the country's domestic and export needs. Strategically it is necessary to further consolidate and improve the Changjiang delta, Zhujiang delta, Dongting Lake area, Poyang Lake area, and Chengdu plain commodity grain bases; expand the Songliao plain, Jianghuai area, and Hetao area commodity grain bases; and develop the new Sanjiang plain, Huanghuai plain, Jitai basin, and Hexi corridor commodity grain bases. A number of superior wheat, soybean, and corn bases should be developed in the north, and a number of superior rice bases should be developed in the south. Funds earmarked for specific purposes in the development of the bases should be used as designated and paid out by stages according to the progress of infrastructure construction, and it is necessary to raise the management standard of the investment and construction projects.

19. The decontrol of grain purchase and sale is meant to gradually close the gap between planned purchase and sale prices and market prices so that a planned purchase system based on market prices can be established gradually. By the end of the century, China's per capita grain consumption will be kept basically at the 800-jin-plus level, which will leave not much of surplus. For a considerably long time, planned grain purchases cannot

be discontinued. The only thing that can be done is to raise state purchase and sale prices steadily and in a well-coordinated manner. If grain prices are decontrolled in the near future, the market prices of rice, wheat flour, corn, and soybean will be more than 65 percent higher than the state purchase prices, and the impact will differ greatly from region to region.

Consideration must also be given to the possibility of grain shortages in some regions as a result of decontrol. Decontrol can be implemented by categories, that is, to decontrol the state-purchased portions of the following categories of grain gradually and one at a time; grain used by the food industry, grain used by the nonstaple food and brewing industries, grain used as subsidies to laborers working on public projects, grain purchased at premium prices, feed grain, and seed grain. Decontrol may also be implemented by areas. Provinces and autonomous regions which have good grain-producing areas or can better withstand the economic impact will be selected for earlier decontrol or for experiments on decontrol in stages in a planned way. With 1986 as the base year, if prices can be raised 40 percent, it is possible that grain output will be increased by about 20 percent. By 1995, planned purchase prices may come close to market prices, basically reaching a level where further control will be unnecessary.

20. Grain is a complex and special problem in China. Per capita grain consumption cannot change much for a considerably long time to come. An analysis on the balance between supply and demand shows that there will often be a surplus or deficit of 10 to 20 billion jin in future grain supply and demand, which can be regulated through imports or exports or increased reserves. Therefore, it will be necessary to import or export grain at a relatively stable rate of 10 to 20 billion jin per year for a long time to come. It is also necessary to readjust the varieties of grain according to demand. Only through continuing, controlled, and comprehensive reform and development, will it be possible to gradually establish an internal balance mechanism to stabilize grain supply and demand in China.

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#### **Jiangxi Farm Exports**

40060155a Nanchang JIANGXI RIBAO in Chinese  
22 Jan 88 p 1

[Excerpt] In 1987, Jiangxi Province earned more than \$150 million in foreign exchange from farm exports, accounting for 41 percent of foreign exchange earned.

#### **Jiangxi Rural Savings**

40060155b Nanchang JIANGXI RIBAO in Chinese  
23 Jan 88 p 1

[Excerpt] In 1987, rural savings in agricultural banks and credit cooperatives in Jiangxi Province totaled 2.88 billion yuan, a net increase of 750 million yuan over 1986. Per capita savings were 101.70 yuan, a net increase of 26.38 yuan over 1986.

## NORTHWEST REGION

### Shaanxi's Zhang Boxing Urges Reform of Party Style

*HK130544 Xian Shaanxi Provincial Service in  
Mandarin 0030 GMT 12 Feb 88*

[Excerpts] On the afternoon of 10 February, the Shaanxi Provincial CPC Committee held a meeting of party leading cadres from provincial organs. Provincial party committee secretary Zhang Boxing relayed the spirit of a forum held by the Secretariat of the CPC Central Committee on party style building and delivered a speech on the party style situation in the province and on the improvement of party style in reform and opening up.

Zhang Boxing said: How to view the party style situation in the province is a popular subject among the masses, as are the subjects of price and public order. We must deal with this subject on a scientific basis and make an analysis in a practical way, so as to seek a correct way to solve the problem.

Zhang Boxing said: It would be inappropriate to treat the current party style too seriously or to underestimate the seriousness of the problem concerning the current party style. In reviewing malpractices within the party, as the CPC Central Committee pointed out, we must acknowledge two things: 1) Malpractices do exist within the party, and some are very serious. We must pay serious attention to this and earnestly solve the problem. 2) Some of the rumors that are circulating in society have exaggerated the facts, and some are groundless. Therefore, we must analyze them one by one.

Zhang Boxing pointed out: The main problems in the province's party style at present remain bureaucratism and malpractices, which are both reflected in the following seven problems: 1) Seeking private interest by taking advantage of one's power; 2) serious bureaucratism; 3) fraud; 4) serious sectoral malpractices; 5) seeking private interest by taking advantage of one's power in organization and personnel work; 6) serious liberalism; and 7) seeking private interest by taking advantage of reform and imperfect policies. These problems have directly

affected reform, opening up, economic construction, and the general social mood, and they have viciously defamed the party. Some party organizations have tolerated various violations of discipline and adopted a laissez-faire attitude, and this has made the problem more serious. In these cases, some people either interceded for those involved or devised various obstructions. They turned big problems into small problems and small problems into no problems at all. This has caused a malignant cycle of unhealthy tendencies in party style and intensified their development, evoking strong objections from the masses. This problem merits our serious attention.

Comrade Zhang Boxing said: We must calmly and appropriately view these problems. We must neither exaggerate nor underestimate them. We must adhere to dialectics of Marxism, divide everything into two, seek truth from facts, and analyze these problems from a historic viewpoint and in an all-round way.

Comrade Zhang Boxing stressed that the key to improving party style lies in accelerating the pace of reform and system building. To correctly understand and resolve problems of party style, we cannot depart from reform and opening up. We must find a new way in party style, one that relies not on political movements but on reform and system building. Improving party style must run through the whole course of reform and opening up and must not be divorced from economic construction, reform, and opening up. The key to straightening out party style and strictly administering the party lies in leading organs and cadres. We must first solve problems in leading groups. The problems of party style in some leading groups in the province are by no means isolated things. They are not only malpractices in leading organs but also constitute factors of instability in the political situation. By holding yearend democratic life meetings in leading groups, we must seriously examine and resolutely solve these problems. Problems which should be solved must be solved seriously.

Provincial party committee deputy secretary Zhou Yaguang delivered a speech on arrangements for this year's discipline inspection work in the province.

**POST Examines XINHUA's Expanding Role in Hong Kong**

*HK260711 Hong Kong SOUTH CHINA MORNING POST in English 26 Feb 88 p 13*

[Text] The NEW CHINA NEWS AGENCY is more than just a news agency. It is the nerve centre for Beijing's political and administrative activities in the territory. Since 1949, the NCNA (or XINHUA) has been Beijing's official representative in Hong Kong, serving as its de facto consulate and its main channel for news and propaganda.

Although it has no diplomatic standing, the NCNA serves as the official contact point between mainland-based commercial and government interests and the Hong Kong government and the overseas diplomatic community.

As Hong Kong counts down the years before China resumes sovereignty, the NCNA will play a crucial role during the transition.

Already its structure has been likened to that of a shadow government, with several divisions set up along the lines of government departments.

NCNA officials are reluctant to speak on the record about the work of the agency and systematically refuse interview requests. This only adds to the secretiveness and sensitivity that surrounds the NCNA, which is largely engaged in supervising the clandestine activities of the Chinese Communist Party in Hong Kong.

In recent years, the main task of the NCNA has been to present the acceptable face of communism to a sceptical Hong Kong public. Where once its top officials, some of whom rank highly in the CCP hierarchy, kept a low profile, they have swapped their Mao jackets for three-piece business suits.

Beijing has even tried to keep pace with the Hong Kong government's own fledgeling changes to grass roots administration, by opening more branch offices in Hong Kong. Whereas once there was only the NCNA headquarters building on Queen's Road East, now there are branch offices in Kowloon, the New Territories and a separate unit in Macao.

Although there are no official figures, it is estimated that the NCNA employs about 1,000 people.

Just as Hong Kong is going through the trials and tribulations of localization, so too is the NCNA and its Chinese Communist Party organization.

In recent months, there has been a move to rapidly promote locals in the NCNA hierarchy.

The most notable example is Mr Mao Junnian, a vice-director of the Hong Kong branch of the NEW CHINA NEWS AGENCY.

Mr Mao, aged 50, graduated from Hong Kong University in the early 1960s and after a spell as a teacher joined the NCNA as head of the Department of Culture and Education and a deputy secretary-general in 1984.

His rise through the NCNA has been meteoric. When the Basic Law Drafting Committee was set up in 1985, he was named a member and one of its two deputy secretaries-general.

Then, late last year he was promoted to become one of four vice directors of the NCNA who report directly to the NCNA helmsman, Mr Xu Jiatun.

Another local is former student activist and a Hong Kong University graduate, Miss Tsui Yee-wan.

Her husband, Mr Chung Shui-ming, also a Hong Kong University graduate, is a member of the Chinese side of the Sino-British Land Commission.

But they are the exception that do not prove the rule.

Even Xu Jiatun, NCNA director and China's top party cadre in Hong Kong, once admitted that it was difficult to recruit locals. Another problem is that northerners still outnumber southerners in the hierarchy of the Chinese Communist Party in Hong Kong.

This is despite attempts to recruit more locals with southern roots into Beijing-affiliated organizations.

While this may be true, some critics believe that Beijing is loathe to place China's main political apparatus in the hands of locals.

That concern is illustrated by the appointment of Mr Xu himself.

Now 71, Mr Xu was a member of the powerful Central Committee when he was posted to Hong Kong in 1983 as director of the NCNA and the head of the Hong Kong-Macao Work Committee of the party.

His posting was seen as a departure from past practice when other NCNA directors were natives of neighbouring Guangdong province with close links to Hong Kong.

Before Hong Kong, Mr Xu was first party secretary in Jiangsu Province, one of China's most industrialised and productive provinces. Arriving in Hong Kong with no apparent links to the place, it is anyone's guess how he was chosen to be the NCNA chief.

Several sources claim that Mr Xu wasn't Beijing's first choice. They believe the job was supposed to go to former Chinese ambassador to Britain, Mr Ke Hua, who was to head a team that included Mr Li Chuwen and Mr Chen Daming, who have both since retired from the NCNA.

However, Mr Ke could not take the job because of suspected throat cancer.

Mr Xu's appointment was believed to have been made by Mr Hu Yaobang, who, as party General Secretary, would have had to authorise such an important posting. When Mr Xu arrived in Hong Kong in 1983, it was part of a major reshuffle in the NCNA. He replaced Mr Wang Kuang as the first director in mid-1983.

But then in early 1984, the second director and four vice-directors under Mr Wang retired one after another.

The first to go was senior vice-director Mr Li Qixin, followed by Mr Li Jusheng, the second director and vice-directors Mr Luo Keming and Mr Ye Feng.

When Mr Xu consolidated his position in Hong Kong, a number of officials were sent to Hong Kong. They included Mr Qiao Zonghuai, son of the late Chinese Foreign Minister, Mr Qiao Guanhua, in the 1970s, and the director of the NCNA when it was first set up here, and Mr Zhang Junsheng, a party secretary of Zhejiang University.

At the same time, some local recruits were quickly promoted, including Mr Mao.

Observers say it is natural for the NCNA to include locals in its plans to build and strengthen its party apparatus. On the one hand it helps to dispel the suspicion of locals against communism. On the other hand, Beijing only has nine years to prepare locals for the changes that will result when sovereignty is resumed.

Next to Mr Xu there are four vice directors:

Mr Zheng Hua; Mr Qiao Zonghuai; Mr Mao Junnian; Mr Zhang Junsheng.

Assistant directors: Mr Wong Yu-teng (local), Miss Chan Fung-ying (local) and Ms Tan Fuyun (from Jiangsu-Zhejiang). Secretary General: Mr Yang Qi (Guangdong native).

Secretaries-General: Mr Wong Man-fong (local), Mr Niu Chao (Jiangsu-Zhejiang) and Miss Lai Shiyi (from north) and Mr Lee Wei-ting (local).

Director's office: Mr Liu Lin (from the mainland).

Incumbent heads of the departments:

Foreign Affairs: Mr Ji Shaoxiang (from Beijing who acts as the head.

Propaganda: Mr Zhang Jusheng is still heading after his promotion to become a vice director. Deputy head: Mr Wang Fusheng (from Shanghai).

Organization: Mr Ji Shujin (from the north) and deputy Ms Chen Feng (Macao). Social Affairs: Wu Fai (local).

Co-ordination: Mr Yang Sheng (Guangdong native) is to retire, and is likely to be replaced by his deputy, Mr Lam Ke-peng (local).

Culture and Education: Mr Weng Xinqiao (served as the deputy chancellor of Xiamen University before posting here.)

Economics: Ms Tan Fuyun (from Jiangsu-Zhejiang).

Research: Vacant; its acting head Mr Choi Kwok-hae (local).

Recreation and Sport: Mr Han Li (from Beijing).

Women: Ms Chan Fung-ying.